

(4)
No. 91-2086

Supreme Court, U.S.
FILED
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In The
Supreme Court of the United States
October Term, 1992

GRANITE STATE INSURANCE COMPANY,
Petitioner,
vs.

**TANDY CORPORATION and
T.C. ELECTRONICS (KOREA) LTD.,**
Respondents.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Fifth Circuit

JOINT APPENDIX

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Petition For Certiorari Filed June 26, 1992
Certiorari Granted October 5, 1992

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U.S. DISTRICT COURT
TXS - SOUTHERN DISTRICT OF TEXAS (HOUSTON)
CIVIL DOCKET FOR CASE #: 91-CV-213

Filed: 1/25/91

Granite State Ins Co v. Tandy Corp, et al

Assigned to: Judge David Hittner

Demand: \$0,000

Lead Docket: None

Dkt# in other court: none

Nature of Suit: 120
Jurisdiction: Federal
Question

Cause: 28:1333 Admiralty

GRANITE STATE
INSURANCE COMPANY
plaintiff

v.

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T C ELECTRONICS,
(KOREA) LTD
defendant

John D White
(See above)
[COR LD NTC]

1/25/91 1 COMPLAINT for Declaratory Judgment, a filed; FILING FEE \$120.00 RECEIPT #386435 (ad) [Entry date 01/28/91]

2/19/91 5 ANSWER to Complaint by Tandy Corp, T C Electronics (Added attorney John D White), filed. (br) [Entry date 02/20/91]

2/19/91 6 MOTION to dismiss, or in the alternative Mtn f/abatement of proceedings by Tandy Corp, T C Electronics, Motion Docket Date 3/11/91 [6-1] motion, 3/11/91 [6-2] motion, filed (br) [Entry date 02/20/91]

3/22/91 9 RESPONSE by Granite State Ins Co in opposition to [6-1] motion to dismiss, [6-2] motion Mtn f/abatement of proceedings, filed (br) [Entry date 03/27/91]

4/4/91 11 REPLY by T C Electronics to response to [6-1] motion to dismiss, filed (br) [Entry date 04/05/91]

4/19/91 14 SUMMARY OF DEFTS REPLY by Tandy Corp, T C Electronics to Granite State Insurance company's response to [6-1] motion to dismiss, filed (pv) [Entry date 04/22/91]

4/19/91 15 RESPONSE by Granite State Ins Co to [14-1] Defts Reply to Pltfs response to Motion to dismiss, filed (pv) [Entry date 04/22/91]

4/30/91 18 ORDER granting [6-2] motion Mtn f/abatement of proceedings, entered; Parties notified. (signed by Judge David Hittner) (br) [Entry date 05/01/91]

IN THE UNITED STATES DISTRICT
COURT FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

GRANITE STATE
INSURANCE COMPANY,

Plaintiff,

VS.

TANDY CORPORATION and
T. C. ELECTRONICS
(KOREA) LTD.,

Defendants

§
§
§
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§
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§
§

C. A. NO. _____

RULE 9(H)
ADMIRALTY
CLAIM

COMPLAINT FOR DECLARATORY JUDGMENT
TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW Plaintiff GRANITE STATE INSURANCE COMPANY ("GSIC"), and pursuant to 28 U.S.C. § 2201 *et seq.*, files this its Complaint for Declaratory Judgment against the Defendants, TANDY CORPORATION ("TANDY") and T. C. ELECTRONICS (KOREA) LTD. ("TCEK"), respectfully showing the Court that:

I.

THE CASE

This is an action for a declaratory judgment pursuant to § 2201 *et seq.* of Title 28, United States Code, for the purpose of determining a question of actual controversy between the parties, as hereinafter more fully appears.

II.

THE PARTIES

Plaintiff GSIC is a New Hampshire corporation with its principal place of business in Manchester, New Hampshire. Defendant Tandy is a Delaware corporation with its principal place of business in Fort Worth, Texas. Defendant TCEK is a Korean corporation with its principal place of business in Masan, Korea. TCEK and Tandy are the alter egos of each other for all purposes material to this lawsuit. Service upon Tandy constitutes service upon TCEK. Defendants may be served with process by serving their registered agent, H. C. Winn, 1800 One Tandy Center, Fort Worth, Texas 76102.

III.

THE COURT'S JURISDICTION

A. Admiralty Jurisdiction

This is a claim within the admiralty and maritime jurisdiction of this Honorable Court, inasmuch as it involves questions and issues related to formation and interpretation of a contract of marine insurance.

B. Diversity Jurisdiction

Alternatively, this case is brought by GSIC, a citizen of New Hampshire against Tandy Corporation, a citizen of Delaware and Texas and TCEK, a citizen of Korea, and the amount in controversy exceeds the sum or value of \$50,000, exclusive of interest and costs. Accordingly, this

Court has jurisdiction of this matter under 28 U.S.C. § 1332.

IV.

APPLICABLE LAW

Pursuant to a Policy of insurance, the law and customs of England apply to and govern the resolution of this case, to the exclusion of the law or laws of any other state or nation. Alternatively, the maritime law of the United States applies.

V.

STATEMENT OF FACTSThe Parties

1. During all relevant times, TCEK has been a wholly-owned subsidiary or affiliate of Tandy for whose interests Tandy has purchased insurance. Tandy is a Fortune 500 Company with revenues of over \$4 billion and 38,000 employees. Among other things, Tandy manufactures consumer electronic products and sells them through its Radio Shack network. During all relevant times, Tandy has employed a full-time in-house Corporate Risk Manager who is responsible for purchasing insurance for the worldwide requirements of Tandy and its subsidiaries or affiliates. During all relevant times, Alexander & Alexander of Texas, Inc. ("A&A") acted as Tandy's outside insurance agent.

2. GSIC is an insurance company authorized to do business in the State of Texas. A&A, as agent of Tandy,

negotiated a certain policy of marine open cargo insurance for Tandy (and TCEK) with GSIC's underwriting agents.

The Policy Negotiations

3. On or about April 26, 1989, A&A opened negotiations with GSIC's Houston, Texas underwriting agent, American International Marine Agency, Inc. ("AIMA") to seek competitive bids or quotations for the replacement of an existing part of Tandy's insurance program. By letter dated April 26, 1989, A&A provided to AIMA what was represented to be a copy of an existing "marine open cargo policy" previously placed by A&A, as agent for Tandy, through Mutual Marine Office, Inc. ("MMO"), a New York managing general agent, with Utica Mutual Insurance Company ("Utica"), as the insurer. The Utica policy principally addressed risks of physical loss or damage to Tandy's electronic goods, parts and accessories during marine or air transportation.

4. In its letter of April 26, 1989, a copy of which is attached as *Exhibit A*, A&A stated, in pertinent part:

"In addition to the Ocean Air coverage the (Utica) policy has been expanded (just done recently and endorsements, etc. not received yet). It is intended to cover inventory consisting of raw materials, parts and accessories provided by suppliers of all descriptions, work-in-process and finished goods while in the following countries; Korea, Taiwan, Hong Kong, Guang Dong (Republic of China) and Japan." . . . "perils insured are all-risk including flood and earthquake, inland/ocean/air from point of supply

or where the insured has an insurable interest in goods, through assembly, warehousing and ocean/air to final port destination."

During negotiations, A&A requested AIMA to provide a quote for the replacement coverage and maintained that the Utica policy endorsement extending coverage was in place but had not yet been received.

5. AIMA was requested to "quote" or bid on a competitive premium and was advised, "the current policies are very competitively priced and there are no dissatisfactions on the part of either client."

6. Ultimately, AIMA's bid for premium on the insurance to replace that said to be provided by Utica was successful. By letter dated July 6, 1989, AIMA confirmed to A&A the agreement to "bind" coverage effective June 22, 1989. As of that date, the terms of the extended coverage A&A represented was available to Tandy under the terms of the Utica policy had not yet been provided to AIMA.

7. Ocean Marine Cargo Binder No. MA 89 subsequently was prepared by A&A and a copy was provided to AIMA by A&A's letter of August 9, 1989. Reference therein was made under "special extensions" to an extension of coverage to include inventory at the assured's facilities in various Asian countries. However, the wordings of the endorsement said to have been in force previously with Utica were still not yet provided by A&A.

8. Draft wordings for the extended coverage endorsement were provided by A&A and were incorporated, as provided, into the policy subsequently issued on

behalf of GSIC, as Endorsement No. 2. A true and correct copy of GSIC Marine Open Cargo Policy is attached hereto as *Exhibit B*.

9. Throughout the negotiations leading to the agreement to bind coverage and the issuance of the GSIC policy, no notice of any problems involving Tandy's subsidiary, TCEK, its plant, goods or raw materials, was given by A&A or Tandy to AIMA or GSIC.

10. By letter dated January 7, 1991, to AIMA, A&A finally provided copies of the Utica policy endorsement with wordings A&A had represented were agreed by Utica during A&A's negotiation with AIMA. The endorsement to the Utica policy is dated "8/10/90", over one year after the expiration of the Utica policy and the effective date of GSIC's Policy. The Utica endorsement is said to be "effective . . . January 18, 1989."

The Policy

11. GSIC's Policy No. AIU 24-60684 is a "Marine Open Cargo Policy" with two numbered endorsements (the "**Policy**"). The Policy uses many standard clauses essentially addressed to movement of property or cargo by any means of transportation from point of origin to point of destination, "warehouse to warehouse." The Policy insures such property against all risks of physical loss or damage from any external cause, subject to certain terms, conditions and exclusions. The Policy does *not* insure consequential economic loss or non-physical damages.

12. Endorsement No. 2 to the Policy was added upon the representation by A&A that the previous coverage provided by Utica insured the identical risk at the time AIMA was asked to compete for the same insurance and to bind such coverage on behalf of GSIC. The substantive language in Endorsement No. 2 was adopted by GSIC as proposed by A&A, acting as agent of Tandy.¹

TCEK - Korean Developments

13. At all material times, TCEK was Tandy's Korean manufacturing arm or subsidiary. TCEK conducted its

¹ The endorsement provides:

1. This policy is extended to cover inventory consisting of raw materials, parts and accessories provided by suppliers of all descriptions, work-in-process and finished goods while in the following countries: Korea, Republic of China, Taiwan and Hong Kong (transit exposure only in Hong Kong since warehouse inventory covered elsewhere). Perils insured are all-risk; including flood, cyclones, typhoons and earthquakes, inland/ocean air from point of supply or where the insured has an insurable interest in goods, through assembly, warehousing and ocean/air to final port of destination.

Quarterly reports of values to be made and premium paid on average quarterly values at \$.015 per hundred per month subject to a maximum quarterly average value of \$10 million for any location. In the event of loss covered by this endorsement, the valuation used for such loss will be as follows:

Raw Materials	Cost x 120%
Work-in-process	Cost x 120% x 125%
Finished Goods	Sales price F.O.B. x 120%
All other terms and conditions remain unchanged.	

manufacturing activities in a complex of several buildings located in a free trade zone, known as the Masan Free Economic Zone ("MAFEZ") in Masan, Korea ("the Plant"). TCEK imported materials from abroad into Korea for assembly at the Plant. TCEK also purchased materials from Korean suppliers and contracted for sub-assembly of materials to Korean contractors outside of MAFEZ.

14. At some time prior to April 26, 1989, TCEK began experiencing sporadic and increasingly severe labor problems which led to disturbances, violence and an eventual strike and occupation of the Plant by union members and sympathizers who forced TCEK's management out of the Plant.

15. Prior to April 22, 1989 TCEK and/or Tandy decided that TCEK would cease operations as a result of union activities and rising costs.

16. As a consequence of the decision TCEK began to scale back its business activities in Korea, reducing the amount of goods it ordered and attempting to remove key items of machinery from the MAFEZ. Ultimately, on March 31, 1989, TANDY held a general meeting of its shareholders at which it was decided to cease TCEK's MAFEZ operation permanently. The decision to close the Plant was made public on April 4, 1989 when TCEK management placed an advertisement in the local Korean daily newspaper.

17. Throughout the period from union formation, through and eventually after the closing of the MAFEZ plant, there were sporadic and occasionally violent clashes between union employees and those employees

who were sympathetic to management. Both management and union sought the intervention of government officials in an attempt to resolve their differences.

An occupation strike begins at the Plant.

18. On April 6, 1989, two days after the public announcement of the Plant's closure, members of the union initiated a sit-down strike in the MAFEZ plant and demanded that TCEK resume operations. The sit-down strike continued until December 21, 1989. On average about 20-25 workers regularly occupied the plant during that time.

19. On April 11, 1989, TCEK's President was detained in his office in Seoul, Korea by twenty former employees. The President was not able to escape from his captors until April 16, 1989. On April 20, 1989 the Korean police removed the former employees of TCEK from the President's Seoul offices.

Tandy designates a liquidator for the Plant.

20. After deciding to close the Plant, Tandy designated the Samil Accounting Corporation of Korea as liquidators for the Plant. On May 22, 1989 the appointed liquidator appeared at the Plant and attempted to gain entry. The occupying workers refused him entry. He tried again the following day but was again refused entry. Having been unable to force his way into the Plant, the liquidator petitioned the local court to obtain an order evicting the strikers from the Plant. The petition stated that:

1. On December 31, 1988, union workers at TCEK had interfered with efforts to remove "inserting machinery" from the Plant.
2. Another twenty union workers had occupied Technical Machine Division's special building at the Plant.
3. Twenty to thirty union workers had again interfered in efforts to remove equipment on June 5, 1989.

The local Korean court granted the liquidator's petition and ordered the striking workers to leave the Plant. However, the workers failed to comply and the police took no action to evict them.

Police storm the Plant.

21. Finally, on December 21, 1989 at 10:00 a.m., a reported 250 police officers forced their way into the Plant and took 21 strikers to the police station for detention. Four of the arrested union members were ultimately tried, convicted and sentenced on February 22, 1990 for their part in illegally conducting a sit-in strike at the Plant.

Renewed violence at the Plant.

22. On or about December 27-29, 1989 union workers and demonstrators forcibly seized and occupied various sections of the Plant, destroyed a barricade and broke windows, office furniture and damaged some manufacturing equipment. Most of the activities on the part of the rioting workers on December 27 and 28, 1989 took place on the roof of the factory, where the intruders sang

songs and shouted slogans. Since all known locations of inventory, raw materials and work-in-process were in locked areas of the Plant, very little, if any, physical damage was caused to inventoried goods of the type sought to be covered by the Policy. According to reports, the only damages inflicted by the demonstrators were on windows, furniture and plant manufacturing machinery.

TCEK and Tandy evacuate the Plant.

23. TCEK and Tandy requested the Korean police to provide protection for the Plant from December 20, 1989 until January 6, 1990 so they could safely remove their property. It is believed, and therefore alleged, that TCEK and Tandy could have had protection as long as required to safely evacuate the Plant, at their own request. TCEK and Tandy requested only about two weeks of police protection because that was all the time required to remove that machinery, equipment, inventory, materials and work-in-process from the Plant which was economically useable elsewhere. Tandy shipped only the machinery and so much of the material which was of use to its factories in other parts of Asia. Tandy did not ship from Korea items which were obsolete, materials in discontinued lines or work-in-process which was not economically transferrable to other assembly facilities. It is believed work already in process was only compatible with the production lines of the MAFEZ Plant, and Tandy had no use for it at other facilities. Accordingly, work-in-process was voluntarily abandoned by Tandy. Substantially all inventoried goods and raw materials left behind had not been damaged by external cause and were voluntarily abandoned by Tandy.

The liquidator sells TCEK's inventory for scrap. • •

24. TCEK's liquidator arranged for a salvage buyer to attend at the Plant and submit an offer for all goods located in the premises formerly occupied by TCEK. On January 7, 1990, the salvage buyer purchased all items remaining on the premises, including stock, equipment, machinery, fixtures, furnishings and fittings as one lot. The approximate purchase price was \$165,000. Most of the goods and equipment sold as salvage were removed from the Plant by February 16, 1990. Those items purchased by the salvage buyer were in good and undamaged condition at the time of the sale. The salvage buyer elected to crush the components and to sell them as scrap, regardless of their condition when purchased, in order to avoid payment of duty on materials imported into a free trade zone.

• Tandy and/or TCEK and/or A&A concealed and/or failed to disclose to AIMA and GSIC material facts.

25. At all pertinent times during negotiations and prior to AIMA binding coverage on behalf of GSIC, Tandy, TCEK and/or its agents A&A were aware of, but concealed and/or failed to disclose to AIMA or GSIC, the following facts material to the underwriting decision:

- a. Tandy and TCEK had been experiencing severe labor problems and episodes of violent activities at the Plant in Masan, Korea since 1987;
- b. Tandy and TCEK actually closed the Plant in Masan, Korea on March 31, 1989, long before they sought coverage from GSIC;

- c. The Plant had been forcefully occupied by strikers from April 6, 1989, depriving Tandy and TCEK of actual possession and control of their inventory, equipment and property;
- d. After the strikers took over the Plant, Tandy's and/or TCEK's representatives, including the liquidator, were not able to enter the Plant, even after obtaining a court order, because the striking workers physically and actively resisted their efforts to gain entry;
- e. The occupation of the Plant imperiled and resulted in some damage to plant equipment, goods, work-in-process, inventory, materials, etc. even before AIMA was invited to bid on behalf of GSIC for the replacement coverage for Tandy and TCEK; and
- f. TCEK had been placed into liquidation and the Plant itself was being liquidated.

26. All of the above information, and perhaps more not yet discovered by GSIC, was material to the decision to insure Tandy and TCEK, yet none was disclosed to AIMA or GSIC during negotiations for insurance coverage. All of the above information should have been, but was not, disclosed by Tandy and its agents A&A to AIMA or GSIC before the Policy was bound. Such information, had it been disclosed, would have materially affected the decision of GSIC to enter into the contract of insurance with respect to Tandy's Korean interests.

27. The underwriting submission of A&A dated April 26, 1989 with respect to Tandy's and TCEK's warehouse assembly operations represented that "there have

been no losses at any of the warehouse/assembly operations" (emphasis added). Given the information above, that representation of Tandy's agents of prior loss history which formed a part of the inducement to GSIC to enter into the contract of insurance was wholly inaccurate, incomplete and misleading.

Additional Defenses of GSIC under the Policy.

28. With respect to the alleged losses suffered by Tandy and/or TCEK:
 - a. Some actual damage to Tandy's and/or TCEK's property already had occurred and the peril of Strikes, Riot and Civil Commotion already had matured before GSIC's coverage was bound so that the "risks" otherwise subject to insurance were a certainty and no longer fortuities subject to being insured;
 - b. Comparatively little of any "inventoried" property otherwise subject to insurance by GSIC actually suffered "physical loss or damage" from an otherwise insured peril.
 - c. Most property which did receive physical damage was part of the manufacturing equipment, assembly lines and building improvements which were not insured by GSIC.
 - d. Tandy and/or TCEK had ample time and ability to remove substantially all of their property from Korea after they regained control of the premises, yet knowingly selected for removal only such items which were economically usable elsewhere and

deliberately abandoned the remainder by selling such materials for "scrap". While the decision of Tandy and/or TCEK may have been sound economically, such an economic decision to abandon sound property does not qualify that abandoned property to be the subject of a claim under an insurance against "physical loss or damage to property from an external cause."

- e. Those abandoned items of inventoried goods sold for salvage and "scrap" value suffered no insured physical damage, yet were deliberately destroyed because import duties made their resale for use within Korea economically unreasonable.

Notice of Loss.

29. A&A, as Tandy's agents, gave first notice of a potential claim to AI Marine Adjusters, Inc. ("AIM Adjusters"), as claims agents for GSIC, on January 12, 1990. In response, AIM Adjusters, on behalf of GSIC, issued a letter to Tandy in which it gave notice of appointment as adjuster and reserved all of GSIC's rights and defenses under the Policy and at law. A full, true and correct copy of the reservation of rights letter is attached hereto as *Exhibit C*. In that letter, AIM Adjusters raised several questions regarding the non-disclosure of material facts, the accuracy of A&A's underwriting submission that there have been no losses regarding TCEK's operations, the accuracy of A&A's representations regarding the nature and character of prior coverage with Utica, other insurance coverage available to Tandy and/or TCEK regarding their alleged losses, and other pertinent

issues under the Policy. Thereafter, on March 20, 1990, AI Marine Adjusters sent to A&A as Tandy's agents a letter requesting additional information and documents that would assist AIM Adjusters and GSIC in their evaluation of Tandy's claim under the Policy. A full, true and correct copy of the March 20, 1990 letter is attached hereto as *Exhibit D*. No informative or timely response was received to that letter from either Tandy or A&A conveying the additional information or documents requested.

30. Tandy sent to AIM Adjusters a letter dated November 28, 1990, received by AIM Adjusters on December 10, 1990, enclosing a sworn "Proof of Loss" form. In the "Proof of Loss," Tandy claims that the amount of damage to property covered under the Policy was \$10,612,993.00 and makes a claim for the full Policy limits of \$10 million. A true copy of Tandy's letter and the "Proof of Loss" is attached hereto as *Exhibit E*. A true copy of AIM Adjusters response of December 14, 1990 is attached as *Exhibit F*.

VI.

CAUSES OF ACTION

Suit for Declaratory Judgment

31. GSIC incorporates and re-alleges paragraphs 1 through 30 as if fully set forth below.

32. The Policy is a Marine Open Cargo policy which by its terms requires the application of English law or, alternatively is subject to the general maritime law of the United States.

33. Under any applicable law, Tandy and/or TCEK and/or A&A owed to GSIC a full and candid disclosure of all facts that might be material to the underwriting decision by GSIC.

34. In addition and/or alternatively, Tandy, TCEK and/or A&A, misrepresented and/or concealed facts material to the underwriting decision they requested of GSIC.

35. There exists justiciable controversy between the parties regarding the following issues:

1. Did A&A and/or Tandy accurately represent and fully disclose to AIMA and/or GSIC all material facts for the purpose of inducing GSIC to issue the Policy?
2. Does the failure of Tandy and/or TCEK and/or A&A to accurately represent and fully disclose to AIMA and GSIC all material facts render the Policy, or at least that much of the Policy as pertains to the TCEK losses, void *ab initio*?
3. Did allegedly covered losses of Tandy and/or TCEK occur before the Policy became effective?
4. What, if any, losses suffered by Tandy and/or TCEK were the result of fortuitous occurrences or perils insured under the Policy, if the Policy was in effect?
5. Do the alleged losses of Tandy and/or TCEK fall within the physical loss or damage concept of the Policy coverage, or were such losses in the nature of economic loss and/or the result of the deliberate abandonment of

property and/or the economic and technical obsolescence of their property?

6. Were the inventory, materials and work-in-process, for whose loss the claim is made, within Tandy's and/or TCEK's possession and control at the time the Policy allegedly became effective?
7. Was the sale of the inventory, materials and work-in-process for whose loss the claim is made, the result of a deliberate and voluntary business decision, and not a fortuitous event of a kind otherwise covered under the Policy?
8. Did the alleged losses of Tandy and/or TCEK occur on March 31, 1989, when Tandy and TCEK decided to shut down the Plant and to cease production operations in Korea, long before the effective date of the Policy?
9. If coverage attached and policy defenses raised herein are invalid, how much of the property insured by this policy suffered a loss of the type insured?

36. Accordingly, GSIC petitions the Court, pursuant to § 2201 *et seq.*, Title 28, United States Code, to consider the relevant facts and circumstances surrounding the negotiations for and the issuance of the Policy, the long history of the violent labor strife at the Plant, the nature of the alleged losses resulting from those labor disturbances, and to construe the Policy, and any other relevant documents and information, and declare as follows:

1. Tandy and/or TCEK and/or A&A concealed, misrepresented and/or failed to disclose accurately and fully material facts for

the express purpose of inducing GSIC to issue the Policy;

2. Tandy and/or TCEK and/or A&A had and breached an obligation of utmost good faith during their negotiations and did not negotiate in good faith with AIMA and GSIC for the issuance of the Policy.
3. The failure of Tandy and/or TCEK and/or A&A to negotiate in good faith and/or to accurately represent and fully disclose material facts prior to the issuance of the Policy has rendered the Policy, or at least that much of the Policy as pertains to the alleged TCEK losses, void *ab initio*;
4. In the alternative, even if the Policy is valid and in force, the alleged losses of Tandy and/or TCEK do not fall within the Policy coverage because:
 - a. such losses occurred before the Policy attached;
 - b. such losses are in the nature of consequential economic loss due to Tandy's and/or TCEK's deliberate abandonment of their property in Korea, and economic and technical obsolescence of such property, rather than physical loss or damage;
 - c. such losses were not the result of a fortuitous event but of a voluntary business decision of Tandy and/or TCEK to close the Plant.
5. The property sought to be insured was not (or was not substantially) damaged by an insured peril.

WHEREFORE, PREMISES CONSIDERED, GSIC respectfully requests a declaratory judgment against Tandy and TCEK as requested above and an award of attorneys' fees and costs as allowed by law. In addition, GSIC prays for such other and further relief and declarations to which GSIC may be justly entitled.

Respectfully submitted,

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EXHIBIT A

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 TWX 910-893-5029

April 26, 1989

Mike Hilshire
 american International Marine Agency
 2200 N. Loop West
 Suite 200
 Houston, Texas 77018

RE: A&A International, Inc./InterTAN, Inc.
 Ocean/Air Cargo Cover

Dear Mike:

Enclosed is the following information on the above referenced:

1. Policy copies for each entity.
2. Value of goods shipped and average monthly inventory figures for warehouse/assembly operations.
3. Ocean/Air loss information. There have been no losses at any of the warehouse/assembly operations.

A&A International is the import/export and transportation arm of Tandy Corp. (Radio Shack, etc.). InterTAN Inc. is a distinct and separate entity established in 1987 and is the foreign version of Tandy Corp. Therefore, two separate [sic] policies will be needed. A&A International expires 7-1-89 and InterTAN expires 6-1-89.

The policy for InterTAN is reasonably "plain vanilla". The policy for A&A International is more complex. In addition to the Ocean/Air coverage the policy has been expanded (just done recently and endorsements, etc. not received yet). It is extended to cover inventory consisting of raw materials, parts and accessories provided by suppliers of all descriptions, work in process and finished goods while in the following countries; Korea, Taiwan, Hong Kong, Guang Dong (Republic of China) and Japan. Hong Kong is transit only since a separate policy covers the warehouse. Perils insured are all-risk including flood and earthquake, inland/ocean/air from point of supply or where the insured has an insurable interest in goods, through assembly, warehousing and ocean/air to final port destination. The limits of liability needed for land operations are \$10,000,000 for all countries except Japan where \$25,000,000 is needed for the consolidation warehouses. Earthquake is limited to \$10,000,000 everywhere. The ocean/air limit is \$7,500,000 for each entity. Please quote a \$10,000,000 limit for ocean/air.

The current policies are very competitively priced and there are no dissatisfactions on the part of either client. On losses, we have a \$10,000 draft authority. Since the first expiration is June 1, 1989, I will need your quotation no later than May 24, 1989. Please plan to quote both entities at the same time.

Should inspections be necessary or if you need further information, please contact me.

Thank you for your interest.

Sincerely,

/s/

Dick Heigele

Vice President

Property Marketing Manager

DH/jw

Enclosure

EXHIBIT B
MARINE OPEN CARGO POLICY
OF
GRANITE STATE INSURANCE COMPANY
MANCHESTER, NEW HAMPSHIRE

ISSUED TO
TANDY CORPORATION
1800 ONE TANDY CENTER
FORT WORTH, TEXAS 76102

NO. AIU 24-60684

NOTICE

1. PLEASE READ YOUR ENTIRE POLICY.
2. This Policy covers automatically on all shipments which come within its scope. It is important that all such shipments be reported as soon as known and the valuation thereof declared as soon as ascertained.
3. Your attention is called to the basis of Insured Value as set forth in the Valuation Clause on page 4. The Insured Value should always be in accordance with the basis specified therein unless otherwise agreed with the Company prior to shipment.
4. Any damage to the goods should be noted on the receipt given to the carrier if possible; and in any event as soon as it is known that the shipment has sustained loss or damage, written claim should be filed with the carrier. Such steps may be necessary to preserve your rights and the Company's rights of subrogation against the carrier. Filing claim against the carrier will not affect in any way your rights under this Policy.
5. In the event of any known or reported loss or damage the nearest Settling Agent, Claims Agent or Company

Representative should be notified promptly to protect the interests of all concerned. If no such party is available then prompt notice should be given to the nearest Correspondent to the American Institute of Marine Underwriters or to the nearest accredited representative of Lloyd's, London.

GRANITE STATE INSURANCE COMPANY (hereinafter referred to either as the Company or as the ASSURERS), in consideration of premiums to be paid at the rates set forth in the schedules attached hereto, or as may be agreed upon from time to time, does make insurance and cause.

TANDY CORPORATION
(INCLUDING ANY SUBSIDIARY, CORPORATION
OR CORPORATIONS AS THEIR
INTEREST MAY APPEAR)

(hereinafter referred to as the ASSURED) to be insured, subject to terms, conditions, exceptions and warranties hereinafter set forth,

1. For Account of Whom it May Concern

LOSS PAYABLE CLAUSE

2. Loss, if any, to be paid in funds current in the United States to the ASSURED or order, or to bank or bankers as their interest may appear, subject to the provisions of Clauses 48, 49 and 50 hereinafter set forth.

GOODS INSURED

3. Upon all kinds of lawful goods and merchandise, consisting principally of **RADIOS, ELECTRONIC EQUIPMENT, COMPUTERS, COMPUTER COMPONENTS,**

THEIR PARTS, ACCESSORIES, SIMILAR TYPE MERCHANDISE, AND OTHER APPROVED MERCHANDISE INCIDENTAL TO THE BUSINESS OF THE ASSURED, OR HELD COVERED.

ATTACHMENT DATE

4. Shipped on and after **JUNE 22, 1989**

CONVEYANCES

5. (a) Per Iron and/or Steel Steamer or Steamers and/or Iron and/or Steel Vessel or Vessels propelled by power (excluding sailing vessels, with or without auxiliary power, except as connecting conveyances) and connecting conveyances;
- (b) By aircraft and connecting conveyances;
- (c) By mail, parcel post, airmail, air parcel post, air express, or air freight, subject, however, to the condition that all shipments by mail of any class must be registered or Government insured wherever possible.

GEOGRAPHICAL LIMITS

6. At and from ports and/or places **IN THE WORLD TO PORTS AND/OR PLACES IN THE WORLD EXCLUDING SHIPMENTS TO CUBA, CAMBODIA, LIBYA, NORTH KOREA, NIGERIA AND VIETNAM AND FURTHER EXCLUDING SHIPMENTS WHOLLY WITHIN THE 48 CONTIGUOUS STATES OF THE U.S. AND CANADA.**

direct or via other ports or places, with privilege of transshipment by land and/or water.

INTEREST INSURED

7. Shipments under deck and/or on deck, (a) made by the ASSURED, being the property of the ASSURED or that of others in which the ASSURED may have an insurable interest or for which the ASSURED may hold or receive instructions to effect insurance provided such instructions be given in writing prior to shipment, and before any known or reported loss or accident; and/or (b) consigned to the ASSURED or to others for the account or control of the ASSURED, being the property of the ASSURED or that of others in which the ASSURED may have an insurable interest or for which the ASSURED may hold or receive instructions to effect insurance, provided such instructions be given in writing prior to shipment, and before any known or reported loss or accident; but excluding shipments sold by the ASSURED on F.O.B., F.A.S., Cost and Freight, or similar terms whereby the ASSURED is not obliged to furnish marine insurance and also excluding such shipments as are bought by the ASSURED on C.I.F. terms, or other terms which include marine insurance.

VALUATION

8. Valued at amount of invoice, including all charges included in the invoice and including prepaid or advance freight and/or freight payable "vessel lost or not lost", not

included in the charges included in the invoice, plus*. Foreign currency is to be converted into United States currency at Banker's sight rate of exchange applicable to each invoice and/or credit and/or draft.

*SEE INDORSEMENT [sic] NO.1

IMPORT DUTY

9. This insurance does not cover duty unless there be a specific endorsement in respect thereof attached hereto.

LIMIT OF INSURANCE

10. This insurance shall not attach or cover and the ASSURERS shall not be liable for more than **\$10,000,000**. by any one vessel or conveyance or in any one place at any one time or in any one disaster or accident, unless otherwise agreed upon; but in respect of shipments on deck it is understood and agreed that this insurance will not attach or cover and these ASSURERS shall not be liable for more than **\$10,000,000**. whilst on board the vessel.

In respect of parcel post shipments, these ASSURERS shall not be liable for more than **\$2,000.00** for any one package by unregistered parcel post nor more than **\$2,000.00** for any one package by registered mail, registered parcel post or Government insured parcel post; nor for more than **\$500,000**. for any one package by air conveyances; nor for more than **\$10,000,000**. by any one Aircraft.

ACCUMULATION

11. Should there be an accumulation of shipments in respect of which the insured value exceeds the limits expressed in this Policy by reason of interruption of transit and/or other occurrences beyond the control of the ASSURED or by reason of any casualty and/or at a transshipping point and/or connecting steamer or conveyance, the ASSURERS shall hold covered such excess amount and shall be liable for the full amount at risk, provided written notice be given to the ASSURERS in all such cases as soon as the fact becomes known to the ASSURED; but in no event shall the ASSURERS be liable hereunder for more than double the limits hereinbefore specifically provided.

PERILS: WATERBORNE

12. Touching the adventures and perils which the ASSURERS are contented to bear and take upon themselves while the goods and/or merchandise are waterborne (notwithstanding any extension of coverage provided under this Policy, unless otherwise specifically agreed), they are of the Seas, Fires, Assailing Thieves, Jettisons, Barratry of the Master and Mariners, and all other like perils, losses and misfortunes that have or shall come to the hurt, detriment or damage of the said goods or any part thereof, except as may be otherwise specifically provided for herein or endorsed hereon.

Note: For perils insured against while the goods are on docks, wharves or elsewhere on shore and/or during land transportation within the coverage of this Policy, see Clause 35.

AVERAGE TERMS & CONDITIONS

13. (a) Except while on deck of ocean vessel AND SUBJECT TO AN ON DECK BILL OF LADING, SHIPMENTS CONSISTING OF APPROVED GENERAL MERCHANDISE - RADIOS, ELECTRONIC EQUIPMENT, COMPUTERS, COMPUTER COMPONENTS, THEIR PARTS AND ACCESSORIES AND OTHER APPROVED MERCHANDISE INCIDENTAL TO THE BUSINESS OF THE ASSURED IN APPROVED OVERSEAS PACKING ARE INSURED:

AGAINST ALL RISKS OF PHYSICAL LOSS OR DAMAGE FROM AN EXTERNAL CAUSE IRRESPECTIVE OF PERCENTAGE, EXCEPTING THOSE EXCLUDED BY THE F.C. & S. AND S.R. & C.C. WARRANTIES.

IT IS AGREED THAT ALL MERCHANDISE SHIPPED ON BOARD THE OCEAN VESSEL IN INTERMODAL, OVER-THE-ROAD OR SIMILAR CARGO CONTAINERS ARE INSURED ALL RISKS, EVEN THOUGH SUCH CONTAINERS BE STOWED ON DECK OR THE MERCHANDISE IS SHIPPED UNDER AN OPTIONAL BILL OF LADING WHICH PERMITS THE CARRIER TO LOAD IT ON OR UNDER DECK.

HOWEVER, IT IS UNDERSTOOD AND AGREED THAT EACH CLAIM FOR LOSS OR DAMAGE SHALL BE ADJUSTED SEPARATELY, AND FROM THE AMOUNT OF EACH ADJUSTED CLAIM THE SUM OF \$5,000. SHALL FIRST BE DEDUCTED.

- (b) **ON DECK:** Warranted **FREE OF PARTICULAR AVERAGE** unless caused by the stranding, sinking, burning and/or collision of the vessel; but to pay the insured value of any merchandise and/or goods jettisoned and/or washed overboard, irrespective of percentage. This coverage is subject to the condition that the declaration or certificate of insurance shows the shipment to have been made on deck.

Notwithstanding the foregoing, merchandise and/or goods shipped on deck under an underdeck bill of lading, without the knowledge and consent of the shipper, shall be treated as Underdeck Cargo and insured as per subdivision (a) above.

BY AIRCRAFT

14. Shipments by aircraft are covered against **ALL RISKS** of loss of and/or damage to all or any part of the merchandise and/or goods from any external cause, irrespective of percentage, but warranted free of claim for loss of damage due to difficulty or changes in atmospheric pressure, and in all events excluding the risks excepted by the Free of Capture and Seizure and the S.R. &

C. C. Clauses incorporated herein. Whenever the words "ship," "vessel," "seaworthiness," "shipowner" or "vessel owner" appear in this Policy, they are deemed to include also the words "aircraft," "airworthiness," "aircraft owner."

***THE RISK BY MESSENGERS AND/OR CONVEYANCES TO AND FROM AIRPORT ARE INCLUDED.**

SHIPMENTS BY AIRCRAFT ARE NOT SUBJECT TO A DEDUCTIBLE

BY MAIL

15. While the parcels are in due course of transit in the custody of postal authorities to the post office address shown thereon, the same are insured against **ALL RISKS** of loss of and/or damage to all or any part of the merchandise and/or goods from any external cause, irrespective of percentage, excluding, however, the risks excepted by the Free of Capture and Seizure and the S.R. & C.C. Clauses incorporated herein.

It is understood and agreed that a certificate of mailing will be secured from the Postal Authorities for each package shipped by ordinary mail or parcel post, if possible. Shipments are to be made in accordance with United States Post Office Department rules or regulations, or in accordance with the rules and regulations of the postal authorities of the country where mailed if such mailing occurs outside the United States. When permitted, mail shipments are to be sent by Government insured parcel post or, if this is not

possible, by registered parcel post, if permissible. The ASSURED agrees that each package shipped by Government insured parcel post, valued at \$100 or less, will be insured with the Government for at least 50% of the actual value and that each package, valued in excess of \$100, will be insured with the Government for not less than \$50, or for the maximum amount of insurance allowed by the Government, if the maximums be lower.

***THE RISK BY MESSENGERS AND/OR CONVEYANCES TO AND FROM POSTAL AUTHORITIES IS INCLUDED - \$2,000. LIMIT**

SUE & LABOR CLAUSE

16. In case of any loss or misfortune, it shall be lawful and necessary to and for the ASSURED, his or their factors, servants and assigns, to sue, labor and travel for, in and about the defense, safeguard and recovery of the goods and merchandise insured hereunder, or any part thereof, without prejudice to this insurance, to the charges whereof this Company will contribute according to the rate and quantity of the sum hereby insured; nor shall the acts of the ASSURED or of this Company in recovering, saving and preserving the property insured, in case of disaster, be considered a waiver or an acceptance of an abandonment.

DAMAGE BY DAMPNESS, DECAY, MOULD, ETC.

17. Warranted in respect of shipments by water free from damage or injury from dampness,

change of flavor, decay, or from being spotted, discolored, musty, mouldy, soured, rusted, or any other form of deterioration, unless caused by actual contact of seawater with the articles damaged, occasioned by sea perils.

[The following paragraphs 18, 19 and 20 were stamped "VOID."]

BREAKAGE, LEAKAGE, ETC.

18. Warranted free of any claims for losses arising from breakage and/or leakage and/or loss in weight and/or loss of contents unless caused by stranding or collision with another vessel. The liability of the ASSURERS for such losses shall also be subject to, but shall not be deemed enlarged or extended by, any provision of this Policy or any amendment thereof defining liability (or excluding liability of the ASSURERS for particular average losses).

LOADING OF GRAIN, PETROLEUM & HEAVY CARGOES

19. Warranted by the ASSURED that vessels to be loaded with Grain, Petroleum and/or heavy cargoes shall be loaded under the inspection of a surveyor appointed or approved by the Company for that purpose and his certificate as to proper loading and seaworthiness must be obtained before the sailing of such vessels or the insurance under this Policy in respect of such cargo to be void.

GROUNDING CLAUSE

20. Grounding in canals, harbors, or tidal rivers not to be deemed a stranding within

the meaning of this Policy or any amendment thereof; but the ASSURERS to pay for any loss or damage to the goods or merchandise which may be proved to have resulted directly therefrom and which would be recoverable under the terms of this Policy if caused by stranding.

GENERAL AVERAGE CONTRIBUTORY CLAUSE

21. The Company shall be liable for only such proportion of General Average and Salvage Charges as the sum hereby insured (less Particular Average for which this Company is liable hereunder, if any) bears to the contributory value of the goods or merchandise insured hereunder.

NORMAL LOSS

22. In the event of claim under this insurance for loss of and/or damage to merchandise and/or goods upon which there is a normal or usual loss, it is hereby mutually agreed that the claim shall be adjusted and the insured value of the part or parts lost or damaged shall be arrived at in the adjustment of the claim on the basis of expected outturn, whether or not the deduction of normal loss be provided in this insurance or be a trade custom.

PARTIAL LOSS

23. In all cases of partial loss or damage caused by perils insured against, the loss shall be determined by a separation of the damaged portion of the insured property from the sound portion and by an agreed estimate (by survey) of the percentage of damage of such damaged portion; or, if

such agreement is not practicable, then such damaged portion shall be sold either at public auction or by private sale (whichever the Company shall deem most advisable) for the account of the owner of the property and the amount of the loss shall be determined by comparison of the gross amount so realized with the sound market value of the portion so sold.

ILLCIT TRADE

24. Warranted free from any charge, expense, damage or loss which may arise in consequence of a seizure or detention for or on account of any illicit or prohibited trade or any trade in articles contraband of war or in the violation of any port rule or regulation.

WAREHOUSE TO WAREHOUSE CLAUSE

25. This insurance attaches from the time the goods leave the Warehouse and/or Store at the place named in the Declaration and/or Certificate for the commencement of the transit and continues during the ordinary course of transit, including customary transshipment if any, until the goods are discharged overside from the overseas vessel at the final port. Thereafter the insurance continues whilst the goods are in transit and/or awaiting transit until delivered to final warehouse at the destination named in the Policy or until the expiry of 15 days (or 30 days, if the destination to which the goods are insured is outside the limits of the port) whichever shall first occur. The time limits referred to above to be reckoned from midnight of the day on

which the discharge overside of the goods hereby insured from the overseas vessel is completed. Held covered at a premium to be arranged in the event of transshipment, if any, other than as above and/or in the event of delay in excess of the above time limits arising from circumstances beyond the control of the ASSURED.

It is necessary for the ASSURED to give prompt notice to these ASSURERS when they become aware of an event for which they are "held covered" under this Policy and the right to such cover is dependent on compliance with this obligation.

MARINE EXTENSION CLAUSES

26. I. This insurance attaches from the time the goods leave the warehouse at the place named in the Policy, certificate or declaration for the commencement of the transit and continues until the goods are delivered to the final warehouse at the destination named in the Policy, certificate or declaration, or a substituted destination as provided in Clause III hereunder.
- II. This insurance specially to cover the goods during
- (i) deviation, delay, forced discharge, re-shipment and transshipment.
 - (ii) any other variation of the adventure arising from the exercise of a liberty granted to the shipowner or charterer under the contract of affreightment.

- III. In the event of the exercise of any liberty granted to the shipowner or charterer under the contract of affreightment whereby such contract is terminated at a port or place other than the original insured destination, the insurance continues until the goods are sold and delivered at such port or place; or, if the goods be not sold but are forwarded to the original insured destination or to any other destination this insurance continues until the goods have arrived at final warehouse as provided in Clause I.
- IV. If while this insurance is still in force and before the expiry of 15 days from midnight of the day on which the discharge overside of the goods hereby insured from the overease vessel at the final port of discharge is completed, the goods are re-sold (not being a sale within the terms of Clause III) and are to be forwarded to a destination other than that covered by this insurance, the goods are covered hereunder while deposited at such port of discharge until again in transit or until the expiry of the aforementioned 15 days while this insurance is still in force the protection afforded hereunder shall cease as from the time of the sale.
- V. Held covered at a premium to be arranged in case of change of voyage or of any omission or error in the

description of the interest, vessel or voyage.

- VI. This insurance shall in no case be deemed to extend to cover loss, damage or expense proximately caused by delay or inherent vice or nature of the subject matter insured.
- VII. It is a condition of this insurance that there shall be no interruption or suspension of transit unless due to circumstances beyond the control of the ASSURED.

None of the foregoing subdivisions of this Clause 26 shall be construed as in any way enlarging any of the other terms and conditions of this Policy (except in so far as any of the provisions of Clause 25 of this Policy are inconsistent herewith), it being particularly understood and agreed that the F.C. & S. warranty remains in full force and effect and that nothing in the foregoing shall be construed as extending this insurance to cover any risks of war or consequences of hostilities.

CRAFT, ETC., CLAUSE

- 27. Including risks while in due course of transit on craft to and from the vessel; also to cover during any special or supplementary lighterage provided written notice be given the ASSURERS in all such cases when such facts are known to the ASSURED and additional premium to be paid if and as required; each craft to be considered as a

separate insurance within the meaning of Particular Average warranties. This insurance shall not be prejudiced by any agreement exempting lightermen from liability.

DEVIATION CLAUSE

28. This insurance shall not be vitiated by any unintentional error in description of vessel, voyage or interest, or by deviation, over-carrage, change of voyage, transshipment or any other interruption of the ordinary course of transit, from causes beyond the control of the ASSURED. It is agreed, however, that any such error, deviation or other occurrence mentioned above shall be reported to this Company as soon as known to the ASSURED, and additional premium paid if required.

F.P.A. CLAUSE

29. Warranted free from Particular Average unless the vessel or craft be stranded, sunk, or burnt, but notwithstanding this warranty these ASSURERS are to pay any loss of or damage to the interest insured which may reasonably be attributed to fire, collision or contact of the vessel and/or craft and/or conveyance with any external substance (ice included) other than water, or to discharge of cargo at port of distress. The foregoing warranty, however, shall not apply where broader terms of Average are provided for hereon or in the certificate or policy to which these clauses are attached.

WAREHOUSING & FORWARDING CHARGES, PACKAGES TOTALLY LOST LOADING, ETC.

30. Notwithstanding any average warranty contained herein, these ASSURERS agree to pay any landing, warehousing, forwarding and special charges for which this Policy in the absence of such warranty would be liable. Also to pay the insured value of any package or packages which may be totally lost in loading, transshipment or discharge.

LABELS CLAUSE

31. In case of damage affecting labels, capsules or wrappers, these ASSURERS, if liable therefore under the terms of this Policy, shall not be liable for more than an amount sufficient to pay the cost of new labels, capsules or wrappers, and the cost of reconditioning the goods, but in no event shall these ASSURERS be liable for more than the insured value of the damage merchandise.

MACHINERY CLAUSE

32. When the property insured under this policy includes a machine, article, interest or set consisting when complete for sale or use of several parts, then in case of loss or damage covered by this insurance to any part of such machine, article, interest or set, these ASSURERS shall be liable only for the proportion of the insured value of the part lost or damaged, or at the ASSURED's option, for the cost and expense, including labor and forwarding charges, of replacing or repairing the lost or damage part; but in no event shall these

ASSURERS be liable for more than the insured value of the complete machine, article, interest or set.

G/A CLAUSE

33. General Average and Salvage Charges payable according to United States laws and usage and/or as per Foreign Statement and/or as per York-Antwerp Rules (as prescribed in whole or in part) if in accordance with the Contract of Affreightment.

EXPLOSION CLAUSE

34. Including the risk of explosion, howsoever or wheresoever occurring during the currency of this insurance unless excluded by the F.C. & S. Warranty or the S. R. & C. C. Warranty set forth herein
- XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXX XXXXXXXXXXXX XXXX XX XXXXXXX XXX
XXXX XXXXXXX XXXXXXX XXXXXXX XX XXX XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
- ASSURED.

SHORE CLAUSE

35. Where this insurance by its terms covers while on docks, wharves or elsewhere on shore, and/or during land transportation, it shall include the risks of collision, derailment, overturning or other accident to the conveyance, fire, lightning, sprinkler leakage, cyclones, hurricanes, earthquakes, floods (meaning the rising of navigable waters), and/or collapse or subsidence of docks or wharves, even though the insurance be otherwise F.P.A.

BILL OF LADING, ETC., CLAUSE

36. The ASSURED is not to be prejudiced by the presence of the negligence clause and/or latent defect clause in the Bill of Lading

and/or Charter Party. The seaworthiness of the vessel as between the ASSURED and these ASSURERS is hereby admitted and the wrongful act or misconduct of the shipowner or his servants causing a loss is not to defeat the recovery by an innocent ASSURED if the loss in the absence of such wrongful act or misconduct would have been a loss recoverable on the Policy. With leave to sail with or without pilots, and to tow and assist vessels or craft in all situations, and to be towed.

INCHMAREE CLAUSE

37. This insurance is also specially to cover any loss or damage to the interest insured hereunder, through the bursting of boilers, breakage of shafts or through any latent defect in the machinery, hull or appurtenances, or from faults or errors in the navigation and/or management of the vessel by the master, mariners, mates, engineers or pilots.

DELAY CLAUSE

38. Warranted free of claim for loss of market or for loss, damage or deterioration arising from delay, whether caused by a peril insured against or otherwise, unless expressly assumed in writing hereon.

BOTH TO BLAME

39. Where goods are shipped under a Bill of Lading containing the so-called "Both to Blame Collision" Clause, these ASSURERS agree as to all losses covered by this insurance, to indemnify the ASSURED for this Policy's proportion of any amount (not exceeding the amount insured) which the

ASSURED may be legally bound to pay to the shipowners under such clause. In the event that such liability is asserted the ASSURED agrees to notify these ASSURERS who shall have the right at their own cost and expense to defend the ASSURED against such claim.

CONSTRUCTIVE TOTAL LOSS CLAUSE

40. No recovery for a Constructive Total Loss shall be had hereunder unless the property insured is reasonably abandoned on account of its actual total loss appearing to be unavoidable, or because it cannot be preserved from actual total loss without an expenditure which would exceed its value when the expenditure had been incurred.

CARRIER CLAUSE

41. Warranted that this insurance shall not inure, directly or indirectly, to the benefit of any carrier or bailee.
42. The following Warranties set forth in Clause 43 shall be paramount and shall not be modified or superseded by any other provision included herein or stamped or endorsed hereon unless such other provisions refers to risks excluded by such Warranties and expressly assumes the said risks.

F.C. & S WARRANTY

43. (A) Notwithstanding anything herein contained to the contrary, this insurance is warranted free from capture, seizure, arrest, restraint, detainment, confiscation, preemption, requisition

or nationalization, and the consequences thereof or any attempt thereat, whether in time of peace or war and whether lawful or otherwise; also warranted free, whether in time of peace or war, from all loss, damage or expense caused by any weapon of war employing atomic or nuclear fission and/or fusion or other reaction or radioactive force or matter or by any mine or torpedo, also warranted free from all consequences of hostilities or warlike operations (whether there be a declaration of war or not), but this warranty shall not exclude collision or contact with aircraft, rockets or similar missiles or with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather, fire or explosion unless caused directly (and independently of the nature of the voyage or service which the vessel concerned or, in the case of a collision, any other vessel involved therein, is performing) by a hostile act by or against a belligerent power; and for the purposes of this warranty 'power' includes any authority maintaining naval, military or air forces in association with a power.

Further warranted free from the consequences of civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or from the consequences of the imposition of martial law, military or usurped power, or piracy.

S.R. & C.C. WARRANTY

Notwithstanding anything herein contained to the contrary, this insurance is warranted free from loss, damage or expense caused by or resulting from:

- (1) strikes, lockouts, labor disturbances, riots, civil commotions, or the acts of any person or persons taking part in any such occurrences or disorders,
- (2) vandalism, sabotage or malicious act, which shall be deemed also to encompass the act or acts of one or more persons whether or not agents of a sovereign power, carried out for political, terroristic or ideological purposes and whether any loss, damage or expense resulting therefrom is accidental or intentional.

CLAUSE PARAMOUNT

In the event that this Policy is extended to cover property prior to the attachment or subsequent to the expiration of the cover provided by the attached Marine Extension Clauses, such extension shall always be subject to the following exclusion unless specifically otherwise stated in writing signed by this Company in the extension endorsement or otherwise:

This Company shall not be liable for any claim for loss, damage or expense arising directly or indirectly from any nuclear incident, reaction, radiation or any radioactive contamination, all whether controlled or uncontrolled, occurring while said property is within the United States or any territory of the United States, the Canal Zone or Puerto Rico, or arising from a source therein, and whether the loss, damage or

expense be proximately or remotely caused thereby, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) insured against in this Policy; however, subject to the foregoing and all provisions of this Policy, if this Policy insures against the peril of fire, then direct loss by fire resulting from nuclear incident, nuclear reaction, or nuclear radiation or radioactive contamination is insured against by this Policy.

OTHER TERMS AND CONDITIONS

SUBROGATION

44. It is hereby agreed by the ASSURED that upon payment of any loss or damage the Company is to be subrogated to all of the ASSURED'S rights of recovery on account of any and all such loss or damage from the carriers and from any other vessels, persons or corporations that may be liable therefor, including municipal corporations and government.

IMPAIRMENT OF SUBROGATION

45. This insurance warranted to be in all cases null and void to the extent of the liability of any carrier or other bailee and is understood and agreed that in case any agreement be made or accepted by the ASSURED with any carrier or bailee by which it is stipulated that such or any carrier or bailee shall have, in case of any loss for which the carrier or bailee may be liable, the benefit of this insurance or exemption in any manner from responsibility grounded on the fact of this insurance, then

and in that event this Company shall be discharged of any liability for such loss hereunder; also warranted to be null and void to the extent of any insurance by any carrier or bailee which would attach and cover the property if this Policy had not been issued and to be null and void as concerns loss or damage on land to the extent of any insurance directly or indirectly covering upon the property, whether prior or subsequent hereto in date. Provided, however, that in the event of loss, damage or expense to the property insured, which in the absence of the above warranties would have been recoverable under this insurance, should the carrier, bailee or other insurer fail to reimburse the ASSURED promptly, this Company agrees that, pending the collection of such loss from the carrier, bailee or other insurers it will provide the ASSURED with funds in an amount equivalent to that which would have been recoverable hereunder in the absence of such warranties, and the advancing for this purpose only of funds to the ASSURED for his protection pending such collection shall in no case be considered as affecting the question of the final liability of this insurance and, as soon as collection is made from the carrier and/or bailee and/or insurers, the title of the ASSURED to hold the sums so advanced by this Company shall discontinue and a portion thereof equal to the sum collected from the carrier and/or bailees and/or insurers, shall be repaid to this Company and the

portion of the sums advanced by this Company, equal to the sum short collected from the carriers and/or bailees and/or insurers, may be retained and applied in settlement of the actual liability of this Company thereby established (provided always the loss shall constitute in other respects a claim under this insurance). In the event of loss or damage this insurance shall be null and void to the extent of any payment made by any carrier or bailees or insurers whether liable or not.

ASSIGNMENT VOID

46. Warranted by the ASSURED that the assignment of this Policy or any insurable interest therein or the subrogation of any right thereunder to any party without the consent of the Company shall render the insurance affected by such assignment or subrogation void.

OTHER INSURANCE

47. It is hereby further agreed that if the said ASSURED shall have made any other insurance upon the property aforesaid, prior in day of date to this Policy, then this Company shall be answerable only for so much as the amount of such prior insurance may be deficient towards fully covering the property hereby insured and this Company shall return the premium upon so much of the sum by it insured as is shall be exonerated from by such prior insurance.

In case of any insurance upon the said property subsequent in the date to this Policy, this Company shall nevertheless be answerable for the full extent of the sum by it subscribed hereto, without right to or claim contribution from such subsequent insurers, and shall accordingly be entitled to retain the premium by it received in the same manner as if no such subsequent insurance had been made.

Other insurance upon the property aforesaid, of date the same as this Policy, shall be deemed simultaneous herewith and this Company shall not be liable for more than a ratable contribution in the proportion the sum by it insured bears to the aggregate of such simultaneous insurance and will return to the ASSURED an amount of premium proportionate to such reduction in liability.

PROOFS OF LOSS

48. Proofs of loss and all bills of expenses must be approved by the Agent of this Company, if there be one at or near the place where the loss occurs or the expenses are incurred or, if there be none in the vicinity, by the Correspondent of the Board of Underwriters of New York; and such agent or correspondent must be represented on all surveys.

NOTICE OF LOSS

49. Warranted by the ASSURED that all claims for loss of or damage to the goods insured hereunder shall be promptly reported to the Company or to the

AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION AND/OR ALEXANDER & ALEXANDER OF TEXAS, INC.

PAYMENT OF LOSS

50. In cases of loss or other claim such loss or claim to be paid within thirty (30) days after submission to the Company or to the

AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION AND/OR ALEXANDER & ALEXANDER OF TEXAS, INC.

of proper proof of loss and proper proof of interest in the goods or merchandise so involved (the amount of premium, if unpaid, and all other indebtedness due the Company by the ASSURED being first deducted).

TIME FOR SUIT

51. It is a condition precedent to any action, suit or proceeding for the recovery of any claim upon, under or by virtue of this Policy that such action, suit or proceeding shall be commenced within twelve (12) months next after the date of the accident, disaster or event causing loss of, or damage to, the insured goods or giving rise to a claim for sue and labor expenses or, in case of a claim for general average contribution, salvage and/or special charges, next after the date of actual payment thereof by the ASSURED: Provided, however, that if, by the laws of the State or other place within

which this Policy or any certificate thereunder is issued or where the action, suit or proceeding is instituted, such limitation is invalid, then any such claim shall become barred and void unless such action, suit or proceeding shall be commenced within the shortest limit of time permitted by the laws of such State or place to be fixed herein for the bringing of such suit, action or proceeding.

ATTACHMENT & CONTINUANCE

52. This Policy and the coverage granted thereunder to be deemed continuous and to attach and cover in respect of all merchandise and/or goods shipped on and after the attachment date named in Clause 4 hereof and is to continue in force thereafter until cancelled, as hereinafter provided in Clause 57, or otherwise voided by reason of breach of warranty, misrepresentation or concealment. Cancellation, however, shall not prejudice the insurance in effect in respect of shipments on which the risk hereunder attached prior to the termination of this Policy by cancellation.

DECLARATIONS

53. The ASSURED by the acceptance of this Policy warrants and agrees to report all shipments in respect of which insurance is provided hereunder to the **AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION** or to

ALEXANDER & ALEXANDER OF TEXAS, INC.

for transmission to the ASSURERS as soon as known to the ASSURED, or as soon thereafter as may be practicable. Should the ASSURED willfully fail to report shipments covered by this Policy, then the Policy as to all subsequent shipments shall at the Company's option become null and void. The Company or its agents shall be permitted to examine the books, accounts and records of the ASSURED for the purpose of tabulating and verifying all shipments in respect of which insurance is provided hereunder.

ERRORS AND OMISSIONS

54. It is, however, agreed that this insurance shall not be prejudiced by and unintentional delay or inadvertent omission in reporting hereunder or any unintentional error in the description of the interest, vessel or voyage, if prompt notice be given the ASSURERS in all such cases as soon as said delay and/or omission and/or error becomes known to the ASSURED and adjustment of premium be made if and as required.

CERTIFICATE OF AUTHORITY

55. Authority is hereby granted the ASSURED to countersign and issue the form of Certificate of Insurance furnished by the ASSURERS for any or all shipments in respect of which insurance is provided hereunder and in consideration thereof the ASSURED warrants that no certificate will be issued with terms thereon varying from the conditions of this Policy and/or any

written instructions that are or may be given by the ASSURERS and/or their Agent from time to time.

The ASSURED further warrants and agrees to mail or deliver a full and complete copy of each certificate issued, on day of issuance of certificate or as soon thereafter as may be practicable, to AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION or to

**ALEXANDER & ALEXANDER
OF TEXAS, INC.**

for transmission to the ASSURERS.

PREMIUM PAYMENTS

56. Premiums at the rates specified in the schedule attached hereto or as otherwise agreed shall be paid in cash and due immediately upon attachment of the risk; and the Company shall be entitled to premium on all shipments covered by this Policy, whether reported or not.

CANCELLATION

57. (a) This Policy may be cancelled by either party on giving the other or its agent SIXTY (60) days' written notice, unless otherwise mutually agreed upon or otherwise provided herein.
- (b) Notwithstanding anything herein to the contrary, the Company may effect immediate cancellation of this Policy by giving written notice thereof at any time when any premium has been due and unpaid for a period of thirty (30) days; but such cancellation shall not

affect risks which have attached prior to such notice of cancellation.

BROKER AS AGENT FOR ASSURED

58. It is a consideration of this Policy that

**ALEXANDER & ALEXANDER
OF TEXAS, INC.
P.O. BOX 2950
FORT WORTH, TEXAS 76113**

the ASSURED'S broker, who caused this insurance to be written, or any substituted broker, shall be deemed to be and continue to be the Agent of the ASSURED for all purposes in connection with this insurance, and especially for the purpose of receiving notice of cancellation or for accepting or rejecting any proposed modification or alteration in the terms of this Policy. Any such notice given to the said Agent of any such modification or alteration agreed to by the said agent shall have the same effect as if given to, or agreed to by, the ASSURED. This agency shall continue until written notice of revocation by the ASSURED shall have been received by the ASSURERS or by the AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION.

GOVERNING LAW

59. All questions of liability arising under this Policy are to be governed by the law and customs of England, except in the United States and its possessions.
60. PROVISIONS REQUIRED BY LAW TO BE STATED IN THIS POLICY: - This Policy is in a stock corporation.

IN WITNESS WHEREOF, this Insurance Company has executed and attested these presents; but this Policy shall not be valid unless countersigned by the American International Marine Agency of New York, Inc., or by another duly authorized agent of the Company.

/s/ Illegible
Secretary

/s/ Illegible
President

Countersigned at Houston, Texas

this 20th day of September 1989 By /s/Michael Hilsher

AMERICAN INSTITUTE
Endorsement for Open Policies (Cargo)
Strikes, Riots & Civil Commotions
(April 3, 1980)

87B-109B

To be attached to and form a part of Policy No. AIU
24-60684 of GRANITE STATE INSURANCE COMPANY
Insuring TANDY CORPORATION.

S.R. & C.C. ENDORSEMENT (Form No. 9)

THIS INSURANCE ALSO COVERS:

- (1) damage, theft, pilferage, breakage or destruction of the property insured directly caused by strikers, locked-out workmen, or persons taking part in labor disturbances or riots or civil commotions; and,
- (2) destruction of, or damage to, the property insured directly caused by vandalism, sabotage or malicious act, which shall be deemed also to encompass the act or acts of one or more persons, whether or not agents of a sovereign power, carried out for political,

terroristic or ideological purposes and whether any loss, damage or expense resulting therefrom is accidental or intentional; PROVIDED that any claim to be recoverable under this sub-section (2) be not excluded by the FC&S warranty in the policy to which this endorsement is attached.

While the property insured is at risk under the terms and conditions of this Insurance within the United States of America, the Commonwealth of Puerto Rico, the Canal Zone, the Virgin Islands and Canada, this insurance is extended to cover damage, theft, pilferage, breakage or destruction of the property insured directly caused by acts committed by an agent of any government, party or faction engaged in war, hostilities or other warlike operations, provided such agent is acting secretly and not in connection with any operation of military or naval armed forces in the country where the described property is situated.

Nothing in this endorsement shall be construed to include or cover any loss, damage, deterioration or expense caused by or resulting from:

- a. change in temperature or humidity.
- b. the absence, shortage, or withholding of power, fuel, or labor of any description whatsoever during any strike, lockout, labor disturbance, riot or civil commotion.
- c. delay or loss of market.
- d. hostilities, warlike operations, civil war, revolution, rebellion or insurrection, or civil strife arising therefrom, except to the limited extent that the acts of certain agents acting secretly have been expressly covered above.

- e. any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

The Assured agrees to report all shipments attaching under this cover and to pay premiums therefore at the rates established by the Assurer from time to time.

The endorsement may be cancelled by either party upon forty-eight hours written or telegraphic notice to the other party, but such cancellation shall not affect any risks which have already attached hereunder.

Effective with respect to shipments made on or after
JUNE 22, 1989

ENDORSEMENT NO. 1

VALUATION CLAUSE

Goods and Merchandise insured hereunder are valued in accordance with Section(s).

- A. Valued at amount of shipping invoice, including all charges in the invoice, plus prepaid and/or advanced and/or guaranteed freight not included in the invoice. Also including insurance premiums hereunder if not included in the invoice.

INCLUDING DUTY

- B. Imports sold by the Assured prior to arrival of the overseas vessel at port of discharge and prior to any known or reported loss or accident, to be valued at the amount of the Assured's sales invoice including all charges included in the invoice, (but, less import duty and/or inland freight, if included, provided such import duty and/or inland freight are separately insured hereunder) plus (Illegible) and/or advanced and/or guaranteed freight not included in the invoice. Also including insurance premiums payable hereunder if not included in the invoice but not less than the valuation as per Section C.

EXCLUDING INLAND FREIGHT

- C. Imports not sold by the Assured prior to arrival of the overseas vessel at port of discharge or at the time of known or reported loss or accident to be valued at amount of shipper's invoice including all charges included in the invoice plus prepaid and/or advanced and/or guaranteed freight not

included in the invoice, plus insurance premiums payable hereunder.

Option is given the Assured of insuring for a higher value than produced by the applicable sections. Said option to be exercised prior to arrival of overseas vessel at port of discharge by delivery of a provisional declaration to this Company showing the desired basis of valuation or by insurance and delivery to this Company of final declaration, certificate or special policy of insurance. It is agreed that the difference in value between the "value as per policy" and the "higher value declared" is insured "Warranted no known or reported loss or is insured "Warranted no known or reported loss or accident" as of the date of said delivery. Foreign currency to be converted into dollars at bankers sight rate of exchange applicable to each invoice and/or credit and/or draft.

DURATION OF COVERAGE CLAUSE

28. Subject to the Warehouse to Warehouse Clause, Marine

Extension Clauses and South American Endorsement, notwithstanding that declaration may be made showing voyage between ports it is agreed that:

- I. Goods and merchandise purchased by the Assured on terms which provide for the passing of title and/or payment at port of export, are insured hereunder from the commencement of the transit at original point of shipment, provided it can be shown by the contract of sale or other documents that at the time of the inception of the risk the shipment had been made in fulfillment of the contract.
- II. Irrespective of terms or time of sale, goods and merchandise in which the Assured retain a financial interest and/or for which they may be legally liable are insured hereunder until delivered to final warehouses at destinations in the United States and/or Canada.

- III. All other goods and/or merchandise covered by this policy are insured to or from interior places in the United States and/or Canada, provided the Assured has an insurable interest during such interior voyage.

RETURNED
SHIPMENTS
CLAUSE

45. A. Shipments returned and/or shipments refused by consignees are held covered until disposed of by the Assured by return to point of shipments, or otherwise at an additional premium to be agreed, providing such risk be reported to this providing such risk be reported to this Company with all reasonable promptness.
- B. It is further agreed that goods and merchandise taken out of ordinary transit upon instructions of surveyors appointed by or on behalf of this Company

for the purpose of establishment of loss or damage, shall be held covered, subject to the original terms and conditions applying to such shipment, without payment of additional premium or advise to this Company, during such interruption or suspension or transit until disposed of by the delivery to and acceptance by the original consignee or by sale to others or otherwise, provided that during such interruption of suspension the Assured complies with the surveyor's instructions.

DELIBERATE
DAMAGE
CLAUSE

This insurance is extended to cover, but only while the property insured is on board a waterborne conveyance, loss of or damage to said property directly caused by governmental authorities acting for the public welfare to prevent or mitigate a pollution hazard or threat thereof, provided that the accident or occurrence creating the situation which required such governmental action would have resulted in a recoverable claim

under the Policy (subject to all its terms, conditions and warranties) if the property insured would have sustained physical loss or damage as a direct result of such accident or occurrence.

RELEASED
BILL OF
LADING
CLAUSE

Privilege is hereby given to ship goods and merchandise covered by this Policy . . . under released or limited liability Bills of Lading, Charters or Shipping Receipts without prejudice to this insurance; the Assured to pay additional premium, if required.

FUMIGATION
CLAUSE

In the event of the vessel or other place being fumigated and direct loss or damage to Assured's merchandise results therefrom, this Company agrees to indemnify the Assured for such loss or damage, and the Assured agrees to subrogate to this Company any recourse that they may have for recovery of such loss or damage from others.

SECURITIES
SHIPMENTS

It is understood and agreed that shipments of registered and non-negotiable stock via a reputable Overnight Delivery Service will be

covered All Risk including Mysterious Disappearance.

Limit - \$5,000,000. any one shipment.

Shipments to be declared separate.

All other terms and conditions remain unchanged.

Date: _____ /s/ Michael Hilsher
American International
Underwriters Corporation

TANDY2
MH/lw
09/19/89

ENDORSEMENT NO. 2

1. This policy is intended to cover inventory consisting of raw materials, parts and accessories provided by suppliers of all descriptions, work-in-process and finished goods while in the following countries: Korea, Republic of China, Taiwan and Hong Kong (transit exposure only in Hong Kong since warehouse inventory covered elsewhere). Perils insured are all risk; including flood, cyclones, typhoons and earthquake, inland/ocean/air from point of supply or where the insured has an insurable interest in goods, through assembly, warehousing and ocean/air to final port destination.

Quarterly reports of values to be made and premium paid on average quarterly values @\$.015 per hundred per month subject to a maximum quarterly average value of \$10 million for any location. In the event of

loss covered by this endorsement, the valuation used for such loss will be as follows:

Raw Materials	Cost x 120%
Work-in-process	Cost x 120% x 125%
Finished Goods	Sales Price FOB x 120%

2. Coverage will extend to the goods insured while being stored at consolidating warehouses up to a limit of \$10,000,000 at each location.

In consideration of a deposit premium of \$150,000 which is payable as noted below, the assured hereby agrees to report the total value of goods shipped for each category shown on the schedule of rates for the period of June 22, 1989 to June 22, 1990.

No adjustment in premium shall be made, however unless values reported generate a premium which is greater than 10% or less than 10% of the deposit premium.

The deposit premium is payable as follows:

<u>Date Due</u>	<u>Amount</u>
June 22, 1989	\$ 12,500
July 22, 1989	12,500
August 22, 1989	12,500
September 22, 1989	12,500
October 22, 1989	12,500
November 22, 1989	12,500
December 22, 1989	12,500
January 22, 1990	12,500
February 22, 1990	12,500
March 22, 1990	12,500
April 22, 1990	12,500
May 22, 1990	12,500
Total Deposit Premium	\$150,000

The above deposit premium does not include the premium for the inventory coverage or the premium for the consolidating warehouses in Japan.

All other terms and conditions remain unchanged.

Date: _____ /s/ Michael Hilsher
American International
Underwriters Corporation

TANDY3
MH/lw
09/19/89

SOUTH AMERICAN ENDORSEMENT

It is hereby mutually understood and agreed that the following clause will apply to all shipments insured in U.S. currency and shipped to South America.

"Notwithstanding anything contained elsewhere herein to the contrary, (particularly the Warehouse to Warehouse and Marine Extension Clauses) the insurance provided hereunder shall continue to cover for sixty (60) days (ninety (90) days on shipments via the Magdalena River) after completion of discharge of the overseas vessel at port of destination or until the goods are delivered to the final warehouse at destination, whichever may first occur, and shall then terminate.

The time limit referred to above to be reckoned from midnight of the day on which the discharge of the overseas vessel is completed."

All other terms and conditions remain unchanged.

Attached to and made part of Policy No. 24-60684 of the
 GRANITE STATE INSURANCE COMPANY INSURING
 TANDY CORPORATION

Date SEPTEMBER 20TH 1989 By /s/ Michael Hilsher

PROFIT SHARING ENDORSEMENT

It is hereby understood and agreed that the actual Gross Marine Premium for the period of June 22, 1989 to June 22, 1990 hereunder are subject to a Profit Sharing Agreement whereby a "Loss Fund" equal to 80% of the Actual Gross Marine Premium shall be established. From such Fund shall be subtracted all Net Loss Payments and Reserves as per this Company's records and an amount equal to 20% of the remainder shall be returned to the Assured.

Gross Marine Premium shall be defined as all premium developed, excluding War and S.R. & C.C. by this policy.

Any deficit for an individual accounting period is to be applied against the profit sharing fund for the following year and if any deficit should then remain it shall be applied to the next following year and shall then be dropped.

Gross Marine premiums shall be the premium entered on the Company's books, less return, for risks attaching hereunder.

Net incurred losses shall be those losses, including all allocated fees and expenses, entered on the Company's

books as either paid or reserved claims, less net proceeds from salvages and recoveries.

Such refund is to be calculated within 90 days after the end of each annual period above mentioned.

In the event of cancellation of the Open Policy of which this Endorsement is a part, no refund shall be made hereunder.

All other terms and conditions remain unchanged.

Date: _____ /s/ Michael Hilsher
American International
Underwriters Corporation

TANDY
 MH/lw
 09/19/89

DUTY/INLAND FREIGHT CLAUSE

It is understood and agreed that this insurance also covers, subject to Policy terms of average, the risk of partial loss by reason of perils insured against on the duties imposed on goods imported into the United States, Canada, United Kingdom, Belgium and Australia, and insured hereunder, it being understood and agreed, however, that when the risk upon the goods continues beyond the time of landing from the overseas vessel, the increased value, consequent upon the payment of such duties, shall attach as an additional insurance upon the goods from the time such duty is paid or becomes due, to the extent of the amounts thereof actually paid or payable.

Any limit of liability expressed in this Policy shall be applied separately to such increased value.

The Assured warrants that on all risks insured hereunder a separate amount shall be reported sufficient to cover the said duty, upon which the rate of premium shall be an agreed percentage of the merchandise rate.

The Assured will, in all cases, use reasonable efforts to obtain abatement or refund of duties paid or claimed in respect of goods lost, damaged or destroyed. It is further agreed that the Assured, shall, when the Assurer so elects, surrender the merchandise to the customers authorities and recover duties thereon as provided by law, in which event the claim under this Policy shall be only for a total loss of the merchandise so surrendered and expenses.

This insurance on duty and/or increased value shall terminate at the end of the import movement covered under this Policy (including the Warehouse to Warehouse and/or Marine Extension Clauses if incorporated therein), but nothing contained in these clauses shall alter or affect any coverage granted elsewhere in the Policy during the storage or transit subsequent thereto.

All other terms and conditions remain unchanged.

Date: _____ /s/ Michael Hilsher
American International
Underwriters Corporation

TANDY1
MH/lw
09/19/89

SCHEDULE OF RATES

To be attached to and form a part of Policy No. 24-60684
of the GRANITE STATE INSURANCE COMPANY Dated
EFF: JUNE 22, 1989 TANDY CORPORATION

The following are the present rates of premium of this Company applying to Under Deck Shipments per owned approved regular line steamers or motor vessels operating in their regular trade. Also per other iron or steel steamers or motor vessels which are not over 20 years of age nor less than 1000 tons net register and which are classed A-1 American Record, or 100A-1 Lloyds Register or equivalent, but excluding vessels built for service on the Great Lakes and vessels built for military or naval service.

[Two lines deleted.]

The rates below are subject to change on thirty (30) days notice.

HOWEVER, NOT BEFORE JUNE 22, 1990

RATE PER \$100 - INSURANCE
~~UNDER DECK~~
COLUMN A - VIA STEAMER AS ABOVE
COLUMN B - VIA CERTIFIED AIRLINES

FROM: PORTS AND/OR PLACES IN THE WORLD

TO: PORTS AND/OR PLACES IN THE WORLD
STEAMER .015 AIR .015

WAREHOUSES - MAXIMUM AVERAGE VALUE
\$10,000,000. FOR ANY ONE LOCATION

.015 PER MONTH

WAR AND SR & CC INCLUDED IN THE ABOVE RATES.
EXCEPT "ON APPLICATION" AREAS HELD COVERED
AT RATES TO BE NAMED.

[Line numbers on this document deleted in printing.]

GRANITE STATE
INSURANCE COMPANY
MANCHESTER, NEW HAMPSHIRE

American Institute (AIMU)
WAR RISK ONLY OPEN POLICY (CARGO)
(FEBRUARY 5, 1981)

THIS POLICY OF INSURANCE WITNESSETH, that in consideration of premiums as agreed to be paid, the Assurer does make insurance and cause TANDY CORPORATION to be insured, lost or not lost, for account of whom it may concern, against War Risks only, in accordance with the terms and conditions hereinafter set forth.

To apply to shipments made on or after JUNE 22, 1989.

This Company shall not be liable hereunder for more than \$10,000,000.00 by any one vessel.

In cases where the total value(s) at risk on any one vessel exceed(s) the limit of liability as set forth in this Policy, the Assured agrees, nevertheless, to report to the Assurer full value(s) at risk and to pay premium thereon at the agreed rates. The Assured further agrees that acceptance of such reports and premium by the Assurer shall not serve to revoke or to overrule the limit of

liability set forth in this Policy; however, subject to the limit of liability, the Assurer in accepting these reports does agree to pay partial losses covered by this Policy without reduction by reason of any coinsurance which otherwise may have existed in the absence of this special agreement.

Subject to the provisions of Clause 4 of this Policy, should there be an accumulation of interests exceeding the above limit of liability by reason of any interruption of transit beyond the control of the Assured or by reason of any casualty, and/or after the interests have been discharged from the incoming overseas Vessel at an intermediate port or place for on-carriage from that or any other port or place by another overseas Vessel, and/or on the on-carrying overseas Vessel, this Policy shall attach for the full amount at risk (but in no event for more than twice the Policy limit which would be applicable to any one Vessel) provided written notice be given to this Assurer as soon as known to the Assured.

This Policy shall cover only those shipments which are insured against marine risks under Policy No. 24-60684 of this Company, it being agreed that the description of such shipments, the valuations thereof, the voyage, the designation of the overseas Vessel (which shall be construed to include aircraft if included under the marine policy) . . . which the goods are to be carried and the ports and/or places of loading and discharge, as reported under the said Policy against marine risks, shall be deemed incorporated herein. Notwithstanding the foregoing, this policy shall not cover purely domestic shipments by air between points in the United States of America (excluding Alaska and Hawaii).

Any loss payable hereunder shall be payable in funds current in the United States, to the order of ASSURED thirty days after full proofs of loss and proofs of interest have been filed with the Assurer.

1. (a) This insurance is only against the risks of capture, seizure, destruction or damage by men-of-war, piracy, takings at sea, arrests, restraints, detainments and other warlike operations and acts of kings, princes and peoples in prosecution of hostilities or in the application of sanctions under international agreements, whether before or after declaration of war and whether by a belligerent or otherwise, including factions engaged in civil war, revolution, rebellion or insurrection, or civil strife arising therefrom; the imposition of martial law, military or usurped power, and including the risks of aerial bombardment, floating or stationary mines and stray or derelict torpedoes, and weapons of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter but excluding loss, damage or expense arising out of the hostile use of any such weapon; and warranted not to abandon (on any ground other than physical damage to ship or cargo) until after condemnation of the property insured.

(b) This insurance also covers, but only while the property insured is on board a waterborne conveyance, loss of or damage to said property directly caused by governmental authorities acting for the public welfare to prevent or mitigate a pollution hazard or threat thereof, provided that the accident or occurrence creating the situation which required such governmental action would have resulted in a recoverable claim under this

Policy (subject to all of its terms, conditions and warranties) if the property insured would have sustained physical loss or damage as a direct result of such accident or occurrence.

2. Warranted free from any claim based upon loss of, or frustration of, the insured voyage or adventure caused by arrests, restraints or detainments.

3. This insurance does not cover any loss, damage or expense caused by or resulting from any of the following causes:

- (a) Commandeering, preemption, requisition or nationalization by the government (defacto or otherwise) of the country to or from which the goods are insured.
 - (b) Seizure or destruction under quarantine, environmental or customs regulations.
 - (c) Delay, deterioration and/or loss of market.
4. (a) The insurance against the risks enumerated in Clause 1, except the risks of floating or stationary mines and stray or derelict torpedoes, floating or submerged referred to in (b) below, shall not attach to the interest hereby insured or to any part thereof
- (i) prior to being on board an overseas Vessel (For the purpose of this Clause 4 an overseas Vessel shall be deemed to mean a Vessel carrying the interest from one port or place to another where such voyage involves a sea passage by that Vessel).

- (ii) after discharged overside from an overseas Vessel at the intended port or place of discharge.

or

after the expiry of 15 days from midnight of the day of arrival of the overseas Vessel at the intended port or place of discharge, whichever shall first occur.

- (iii) after expiry of 15 days from midnight of the day of arrival of the overseas Vessel at an intermediate port or place to discharge the interest for on-carriage from that or any other port or place by another overseas Vessel, but shall reattach as the interest is loaded on the on-carrying overseas Vessel. During the said period of 15 days the insurance remains in force whether the interest is awaiting transit or in transit between the overseas Vessels.

- (iv) For the purposes of this Clause 4 arrival at the intended port or place of discharge shall be deemed to mean that time when the overseas Vessel first berths, anchors, moors or is secured in an area subject to regulation by the authorities of such port or place.

- (b) The insurance against the risks of floating or stationary mines and stray or derelict torpedoes, floating or submerged, attaches as the interest hereby insured is first loaded on a lighter, craft or vessel after leaving the warehouse at point of shipment in transit

for the destination declared hereunder, and ceases to attach as the interest is finally landed from the vessel, craft or lighter prior to delivery to warehouse at such destination.

- (c) If the contract of affreightment is terminated at a port or place other than the destination named therein such port or place shall be deemed the intended port or place of discharge for the purpose of this Clause 4.
- (d) Shipments by mail, if covered by this Policy, are insured continuously from the time of leaving the sender's premises until delivered to the place of address.
- (e) Shipments by air (other than by air mail), if covered by this Policy are insured subject to the same terms and conditions as shipments by overseas Vessel.
- (f) It is a condition of this insurance that the Assured shall act with reasonable dispatch in all circumstances within their control.
- (g) If anything contained in this Policy shall be inconsistent with this Clause 4 it shall to the extent of such inconsistency be null and void.

5. This insurance shall not be vitiated by deviation, overcarriage, change of voyage, or by any error or unintentional omission in the description of interest, vessel or voyage, provided the same be communicated to the Assurer as soon as known to the Assured and an additional premium paid if required.

6. And in case of any loss or misfortune, it shall be lawful and necessary to and for the Assured, his or their

factors, servants and assigns, to sue, labor and travel for, in and about the defense, safeguard and recovery of the said goods, and merchandises, or any part thereof, without prejudice to this insurance; nor shall the acts of the Assured or Assurers, in recovering, saving and preserving the property insured, in case of disaster, be considered a waiver or an acceptance of an abandonment; and to the charges whereof, the said Assurers will contribute according to the rate of quantity of the sum hereby insured.

7. General Average and Salvage Charges payable according to United States laws and usage and/or as per Foreign Statement and/or as per York-Antwerp Rules (as prescribed in whole or in part) if in accordance with the Contract of Affreightment.

8. It is agreed that the reports of shipments made under the Policy against marine risks mentioned above shall be deemed to be reports under this Policy also, and the Assured agrees to pay premiums on all shipments insured under this Policy at the war risk rates of the Assurer as fixed from time to time.

9. No claim shall be payable hereunder which arises from collision, contact with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather or fire unless caused directly (and independently of the nature of the voyage or service which the Vessel concerned or, in the case of a collision, any other Vessel involved therein, is performing) by a hostile act by or against a belligerent power; and for the purpose of this paragraph "power" includes any authority maintaining naval, military or air forces in association with a power.

10. No recovery for a Constructive Total Loss shall be had hereunder unless the property insured is reasonably abandoned on account of its actual total loss appearing to be unavoidable, or because it cannot be preserved from actual total loss without an expenditure which would exceed its value if the expenditure had been incurred.

11. It is agreed that this Policy is a separate and wholly independent contract and is not subject to any terms or conditions of the Policy against marine risks above mentioned (whether physically attached thereto or not) except as such terms or conditions shall have been expressly incorporated herein by reference.

12. This insurance may be cancelled by either party upon forty-eight hours written or telegraphic notice to the other party, but such cancellation shall not affect any shipment on which this insurance has attached under the terms of Clause 4 hereof prior to the effective date of such notice. Shipments on which this insurance has not so attached but for which, prior to the effective date of such notice, bills of lading have been issued and (in the case of exports) Certificates or special policies have been issued and negotiated, shall be covered from the time of loading on the overseas Vessel, as provided in Clause 4, at the rates of the Assurer, provided that, prior to said effective date, such shipments were at the risk of the Assured and were covered under the said Policy against marine risks.

In the event of loss which may give rise to a claim under this Policy, prompt notice shall be given to this Company.

Countersigned at HOUSTON, TEXAS

This 20th day of SEPTEMBER, 1989

/s/ Illegible
Secretary

/s/ Robert B. Sanborn
President

/s/ Michael Hilsher
Authorized Representative

EXHIBIT C

Logo

AI Marine Adjusters, Inc.

American International Building
2200 North Loop West, Suite 200
Houston, Texas 77018
713/683-4500 Telex # 361865

February 2, 1990

Mr. Jim Ashworth
Tandy Corporation
P.O. Box 17180
Fort Worth, Texas 76102

Re: Claim No.:	6-55848
Insured:	Tandy Corporation, et al
Policy No.:	AIU 24-60684
Issued by:	Granite State Insurance Company
Date of Loss:	Unknown
Nature of Claim:	Vandalism
Location:	Masan, Korea

Dear Mr. Ashworth:

Your agents, Alexander & Alexander of Texas, Inc., gave first notice of this potential claim to A. I. Marine Adjusters, Inc. as claims agents for Granite State Insurance Company (GSIC), on January 12, 1990. A review of the Policy and the information furnished to us thus far has raised a number of issues and questions which we feel must be investigated further and resolved before Granite State Insurance Company can accept or deny any responsibility under the captioned Policy. Since a meeting is scheduled to take place on Monday, February 5, 1990,

in Hong Kong with your representatives and ours, the purpose of this letter is to place you on notice that there are such issues and questions yet unresolved, and to inform you that GSIC shall proceed with our investigation subject to a full reservation of all rights and defenses at law and under the captioned Policy.

More specifically, GSIC reserves all rights and defenses it may have arising out of the following matters:

1. Nondisclosure of material facts:

The effective date of the captioned Policy was June 22, 1989. Preliminary inquiries following receipt of your agents' first notice of this loss on January 12, 1990 indicate that neither Tandy Corporation nor its agents disclosed during negotiations for the insurance what we now believe are the following facts:

(a) That Tandy Corporation had been experiencing labor problems at its plant in Masan, Korea since 1987;

(b) That Tandy Corporation had closed its plant in Masan, Korea in approximately March of 1989 because of those labor problems;

(c) That when the plant was shut down, it was "taken over" by strikers;

(d) That after the strikers took over the plant, your representatives were not able to get into the plant, even after obtaining a Court Order;

(e) That effectively, you were deprived of management, control, supervision or a means of safeguarding the plant and its contents after the plant was closed and "taken over" by strikers, whose interests were adverse to

your own, all of which occurred during the period of negotiation of this contract and before the attachment of coverage;

(f) That your Korean subsidiary and/or the entity which conducted operations and owned the inventory within the plant in Masan, Korea was placed into liquidation and the plant itself was being liquidated as a result of your labor problems and your inability to obtain access to your own facilities or otherwise safeguard the property for which you requested insurance.

Those and other matters, perhaps not yet discovered by GSIC, if true, were material facts which should have been, but were not, disclosed to the Underwriters at the time of negotiations of this contract of insurance and which, if they had been disclosed, may have materially affected the decision of Underwriters to enter into the contract for the premium charged.

2. The underwriting submission of Alexander & Alexander of Texas, Inc. dated April 26, 1989 with respect to the warehouse assembly operations represented that, "there have been no losses at any of the warehouse/assembly operations". Given the points raised above, we have reason to suspect whether or not that representation of prior loss history which formed a part of the inducement to GSIC to enter into the contract of insurance was accurate. Underwriters reserve their rights to investigate that and any other representations of Alexander & Alexander at the time of the negotiations of this insurance to determine whether they were accurate or misleading and, if misleading, whether they were material to the underwriting decision.

3. At the time Alexander & Alexander of Texas, Inc. made their presentation by letter dated April 26, 1989, GSIC was asked to offer insurance coverage in competition for your then existing insurance which was represented as being in force and effect with Mutual Marine Office, Inc. More specifically, in its letter of April 26, 1989, Alexander & Alexander stated:

The Policy for InterTAN is reasonably "plain vanilla". The Policy for A&A International is more complex. In addition to the Ocean/Air coverage, the Policy has been expanded (just done recently and endorsements, etc. not received yet). It is extended to cover inventory consisting of raw materials, parts and accessories provided by suppliers of all descriptions, work in process and finished goods while in the following Countries: Korea, Taiwan, Hong Kong, Guang Dong (Republic of China) and Japan. Hong Kong is transit only since a separate policy covers the warehouse. Perils insured are all risk including flood and earthquake, inland/ocean/air from point of supply or where the insured has an insurable interest in goods, through assembly, warehousing and ocean/air to final port destination. The limits of liability needed for land operations are \$10 million for all Countries except Japan where \$25 million is needed for the consolidation warehouses. Earthquake is limited to \$10 million everywhere. The ocean/air limit is \$7,500,000 for each entity. Please quote a \$10 million limit for ocean/air."

GSIC questions the accuracy of the representations of then existing coverage contained in that letter and reserves its rights to investigate those representations

further and determine their materiality to the Underwriters who were asked to quote on the proposed insurance contract.

4. GSIC also invites your attention to paragraph 5 on the cover page of the Policy under the title "Notice" which reads as follows:

5. In the event of any known or reported loss or damage the nearest Settling Agent, Claims Agent, or Company Representative, should be notified promptly to protect the interest of all concerned. If no such party is available, then prompt notice should be given to the nearest Correspondent to the American Institute of Marine Underwriters or to the nearest accredited representative of Lloyd's, London.

If this Policy attached, and other incidents occurred during the period that your representatives were not able to get into the plant, Tandy Corporation may have failed to give notice timely of such incidents. To the extent the notice was not given in compliance with the Policy provisions, GSIC reserves all of its rights and defenses. GSIC also reserves all rights to determine the number of any applicable occurrences, the amounts of losses per occurrence and how many deductibles should be applicable.

5. Paragraph 47 of the Policy, entitled "Other Insurance", provides that:

It is hereby further agreed that if the said ASSURED shall have made any other insurance upon the property aforesaid, prior and date to this Policy, then this company shall be answerable only for so much as the amount of such prior insurance may be deficient towards fully

covering the property hereby insured and this Company shall return the premium upon so much of the sum by it insured as is (sic) shall be exonerated from by such prior insurance period.

In case of any insurance upon said property subsequent in date to this Policy, this Company shall nevertheless be answerable for the full extent of the sum by it subscribed hereto, without right to or claim contribution from said subsequent insurers, and shall accordingly be entitled to retain the premium by it received in the same manner as if no such subsequent insurance had been made.

Other insurance upon the property aforesaid, of date the same as this Policy, shall be deemed simultaneously with and this Company shall not be liable for more than a rightable contribution and the proportion the sum by its insured bears to the aggregate of such simultaneous insurance and will return to the Assured an amount of premium proportionate to such reduction in liability.

To the extent that there is coverage for this loss under any other insurance policies, GSIC reserves all of its rights and defenses, or other appropriate policy provisions.

GSIC will require a full investigation into all material issues relating to the original broking and placement of this cover with respect to the Korean operation of Tandy Corporation and reserves all rights and defenses in any way related to any misstatements or nondisclosures of material facts both during and after the broking of the coverage. Since questions of nondisclosure of information are involved, GSIC must reserve its rights and defenses arising out of any additional material facts known to

Tandy Corporation and its agents which may hereafter be discovered by GSIC. Therefore, any action heretofore or hereafter taken by GSIC in the monitoring and investigation of this claim shall in no event be construed to be a waiver or abandonment of any coverage defenses. The purpose of this reservation of rights letter is to allow GSIC to investigate the occurrence you have reported, and to respond without waiving any of its coverage or policy defenses. The investigation could result in a denial of coverage under the captioned Policy.

If you have any questions regarding the broking of this Policy, the efforts to enter into the contract of insurance, any coverages possibly afforded under the Policy, or the effect of this reservation of rights letter, GSIC urges you to consult counsel of your choosing about these matters. It is the intention of this reservation of rights letter to permit a full investigation and response to your notice without in any way affecting, impairing, or waiving any of the rights of GSIC or of Tandy Corporation.

Sincerely,

Ms. Dianne Furgerson
Vice President
A I Marine Adjusters, Inc.
as Claims Agent for
Granite State Insurance Company

EXHIBIT D

Logo

AI Marine Adjusters, Inc.

American International Building
2200 North Loop West, Suite 200
Houston, Texas 77018
713/683-4500 Telex #361865

March 20, 1990

Direct Dial: 713/683-4531

Messrs. Don Martin
Ron Snyder
Alexander & Alexander
P.O. Box 2950
Fort Worth, Texas 76113

Re: Claim No.:	6-55848
Insured:	Tandy Corporation, et al
Policy No.:	AIU 24-60684
Issuer:	Granite State Insurance Company
Date of Loss:	Unknown
Nature of Claim:	Vandalism
Location:	Korea

Gentlemen:

This letter is written subject to our reservation of all rights on behalf of Granite State Insurance Company in my letter to Tandy Corporation of February 2, 1990.

Following your first notice of loss, we have received no further information of significance from you or Tandy Corporation which would enable us to identify or determine the value of the property at risk or attempt to

evaluate what rights Tandy may have under the policy, or to determine the character and value of the claim(s) being presented. Therefore, to assist you in furnishing us with what we need from your principal, please provide the following:

1. Granite State's Marine Open Cargo Policy became effective June 22, 1989. You have advised us that a claim or claims will be made for vandalism and damage to inventories, etc. in Tandy's Korean assembly facilities. Presumably Tandy's claim will be under Endorsement 2 to the Marine Open Cargo Policy. Please confirm that is correct or advise under what other section of the policy the claim will be made.

2. Endorsement No. 2 requires "quarterly reports of values to be made and premium paid on average quarterly values @ \$.015 per 100 per month subject to a maximum quarterly average value of \$10 million for any location." To date we have received no quarterly reports, no premium has been paid, and no description has been provided of however many facilities Tandy may have had in Korea, whether or not all of those facilities were involved in the labor dispute. Therefore, please provide us with the following identification of what Tandy has intended to insure: (Since we do not know how Tandy operated in Korea, we use the same "Tandy" to refer to any entity in which Tandy Corp. claims an insurable interest and ask that you please identify each specific entity in your answers to these questions.)

a. A complete physical description of each location in which any Tandy entity had a financial or insurable interest in Korea.

b. The required quarterly reports of property intended to be insured and identification of each Korean facility at which that property was located during the policy period.

c. Since Tandy has made no premium payment, and since we issued our reservation of rights letter, we do not now make demand upon Tandy for payment of premium due. However, I note that premium was to have been paid quarterly; that it has not been paid as required by the contract of insurance; and that you may wish to submit a calculation of premium due, (if not a tender of premium, subject to Granite State's acceptance or refusal of that tender).

3. Please provide the complete Mutual Marine Office, Inc. policy covering the insured prior to the effective date of our policy referred to above. I believe that policy is numbered MMO-90174. Please insure that you attach all endorsements to the Mutual Marine policy.

4. For each location in which Tandy possessed an insurable interest in the property or inventory in Korea, please provide the following:

a. The full name and address of the individual or legal entity which owned the building or facility.

b. The full name and address of the Tandy company which had an interest in that building or facility.

c. A full description of the contractual arrangement(s) between the Tandy company involved and the building's owner permitting Tandy to lease, occupy and/or operate within that building or facility.

d. A similar description of any other contracts between the Tandy company involved and any third parties appropriate to the lease or operation arrangement(s).

5. Please provide a reasonable complete narrative description of how Tandy operated within each location, including:

a. A description of the contractual arrangements by which Tandy procured raw materials, parts and accessories from suppliers and how and when Tandy became the owner or otherwise acquired an insurable interest in the property so acquired.

b. A description of what work was done by Tandy's own employees with the raw materials within each of the operating facilities.

c. A narrative description of how, and under what circumstances Tandy would consign or "farm out" materials or work in progress to subcontractors (if any) for further assembly and shipment and/or for return to Tandy's facilities for additional further processing. Did those arrangements involve transfers of ownership of the property involved and, if so, when and where was ownership transferred?

6. Please provide a complete inventory of raw materials, parts and accessories, work in process and finished goods while owned by Tandy or during such times as Tandy may wish to claim an insurable interest in that material. In this regard, since we know so little of the nature of the Tandy operation, we do not know what documentation would have been generated by Tandy and/or its suppliers and/or subcontractors. Therefore,

we call upon Tandy to provide full documentation showing its purchase of raw materials, the chain of care, custody and control of the materials, and to separate any property which may have been physically present in the plant(s) in which vandalism damage occurred, from property not yet received by Tandy, consigned elsewhere or stored elsewhere.

7. Please provide an inventory of all items for which Tandy claims a loss under the policy, including a description of where those items were physically located at the time the loss is claimed, and what damage occurred to that property. Please provide us with photographs or other reasonable documentation evidencing the actual loss since, by the time we received notice of this casualty, we were informed that the plant had been closed, and all materials already had been shipped out or sold for salvage.

8. Since we understand some of the property was sold for salvage, we ask for an inventory of that property which was sold, a description of which items were "inventory and work in progress" as opposed to plant or office equipment, the values of the property involved, and an explanation of why it was sold. That is, was it sold because it was damaged, because it was no longer useful to Tandy, or for some other reason? Please provide support for the original cost and the cost received on resale of all materials thought to be insured under this policy which were sold to third parties in Korea either for salvage or for any other purpose.

9. We understand that Tandy may have moved out of Korea so quickly that a lot of property was simply

abandoned. Would you please provide an inventory and valuation of any properties thought to be insured under this policy which were abandoned and an explanation of why the property was abandoned and why Tandy departed Korea in apparent haste. What efforts were made to obtain the assistance of third parties to arrange to inventory, pack and ship properties which Tandy abandoned?

10. Please advise whether or not any inventories, raw materials, etc. reportedly insured under this policy were moved to any other facility owned or operated by Tandy, or in which Tandy had a financial interest inside of Korea. If so, describe fully the circumstances of such movements, the value of the materials when purchased by Tandy, any values obtained by Tandy for the transferred goods and why other goods could not also have been transferred to Tandy's other facilities in Korea.

11. Please provide copies of all demands, correspondence, and complaints to Tandy from your labor force in Korea, and any responses, pertaining to the labor problems experienced by Tandy in Korea, from the first such demand through Tandy's departure from Korea.

12. Please provide copies of all correspondence, notes, or memoranda of communications by and between Tandy and any Korean government ministry of trade, labor, commerce, or other government body, at either national or local levels, purporting to discuss Tandy's labor problems at any time.

13. Please provide copies of all correspondence, notes, or memoranda of communications between Tandy

and the United States Embassy, Consulates, or trade missions or organizations in Korea protesting, reporting or requesting assistance or otherwise discussing Tandy's labor problems, at any time.

14. Please provide a chronology of events of Tandy's labor disputes with the date and character of any disruptive event, the date and location of each occurrence in which property thought to be insured under this policy suffered loss and an inventory and list of values of such property as was lost or damaged at each time.

15. Please describe the date and circumstances and duration of each occupation of Tandy facilities by strikers and an inventory of any insured damaged property damaged during such occupation.

16. Please provide copies of any formal police complaints, law suits, or writs or protective orders obtained by Tandy from local authorities and/or the courts in Korea directing that the strikers, cease, desist, or evacuate the premises taken over from Tandy.

17. Please describe how Tandy regained control of its facilities, if it did, and the reasons why Tandy did not then resume normal operations at those facilities.

18. Please identify the dates on which Tandy took the following actions or those events occurred:

a. Tandy decided to slow or curtail its operations in Korea because of the labor unrest. Who made that decision?

b. Tandy made the decision to close its facility or facilities in Korea.

c. Tandy effectively closed its facility or facilities in Korea.

d. When the strikers or laborers took over the Tandy facility and duration time for each episode in which the strikers occupied Tandy facilities.

e. Describe the date and substance of each effort made by Tandy to regain control of its facilities.

f. State when Tandy actually regained control of its facility/facilities and describe any restrictions imposed by the courts, police or other authorities in Korea on the duration of time Tandy could retain control.

19. What other legal or practical restrictions were there, if any, requiring Tandy to pack and ship its property in haste, rather than in an orderly withdrawal.

20. What has been done with the property evacuated from Korea? That is, has it been forwarded to other Tandy facilities, sold to third parties, or is it still in Tandy's manufacturing "pipeline"?

Once again, many of these questions have been asked simply because we have no other information at the moment, and in an effort to provide guidance to the type of information we will need to have to examine your claim. These requests are not intended to be exclusive and we reserve the right to make other and further requests once we are able to obtain a better concept of how Tandy was operating and the details of the experiences involved. We do not intend these requests to be burdensome, although we realize they are numerous. If Tandy has already obtained or provided materials which substantially answer the questions in perhaps a different

form, we would be pleased to consider whatever Tandy wishes to submit.

Please understand that Tandy is considered a very valued client of our company and that, by making these requests, we are attempting to provide you with some guidance of the type of material and/or information which may assist Tandy in preparing its own claim. However, we do not by these requests intend to take from Tandy the responsibility it has for preparing and submitting proper claims documentation.

Sincerely,

Ms. Dianne Furgerson
Vice President
A.I. Marine Adjusters, Inc.
as Claim Agents for
Granite State Insurance Company

DF/pg

EXHIBIT E

Tandy Corporation

Executive Offices 1700 One Tandy Center
Post Office Box 17180
Fort Worth, Texas 76102
Telephone (817) 390-3700

Jim Ashworth
Assistant Director
Risk Management
390-3044

AIRBORNE EXPRESS

November 28, 1990

Mr. R.C. Danen
Regional Claim Manager
AMERICAN INTERNATIONAL COMPANIES
1999 Bryan Street
Dallas, TX 75201

RE: Claim No: 90-20644
Insured: Tandy Corp/TC
Electronics - Korea
D/L: On or about 12/22/89

Dear Mr. Danen:

Enclosed is our Proof of Loss regarding the above-captioned claim. With a copy of this letter, I am also sending another Proof of Loss to AI Marine in Houston, as it is our position that the Marine Open Cargo policy issued by Granite State Insurance Company covers a portion of this loss.

Sincerely,

/s/ Jim Ashworth
Jim Ashworth

JHA/jlj

cc: Ron Snyder, Sr. Vice President
ALEXANDER & ALEXANDER OF TEXAS

Don Martin, Vice President
ALEXANDER & ALEXANDER OF TEXAS

Diane Furgerson, Vice President
AI MARINE ADJUSTERS, INC.
2200 North Loop West,
Suite 200
Houston, TX 76113

SWORN STATEMENT
IN
PROOF OF LOSS

Policy No.
AIU 24-60684

Amount Of Policy At Time Of Loss
\$10,000,000.00

Date Issued
6/22/89

Date Expires
CONTINUOUS UNTIL CANCELLED

6-55848

Company Claim No.
ALEXANDER & ALEXANDER OF TEXAS
Agent

FORT WORTH, TX
Agency At

To the GRANITE STATE INSURANCE COMPANY
of MANCHESTER, NEW HAMPSHIRE

At time of loss, by the above indicated policy of insurance, you insured -

TANDY CORPORATION/TCE - KOREA

against loss by STRIKE, RIOT, CIVIL COMMOTION AND OTHER PERILS to the property described according to the terms and conditions of said policy and of all forms, endorsements, transfers and assignments attached thereto.

TIME AND
ORIGIN

A PROPERTY loss occurred about the hour of ___ o'clock ___ M., on the 22 day of DECEMBER 1989, the cause and origin of the said loss were: DAMAGE AND THEFT CAUSED BY STRIKERS

OCCUPANCY

The building described, or containing the property described, was occupied at the time of the loss as follows, and for no other purpose whatever: MANUFACTURE OF CONSUMER ELECTRONICS

TITLE AND
INTEREST

At the time of the loss, the interest of your insured in the property described therein was OWNERSHIP. No other person or persons had any interest therein or incumbrance thereon, except: NONE

CHANGES

Since the said policy was issued, there has been no assignment thereof, or change of interest, use, occupancy, possession, location or exposure of the property described, except NONE

TOTAL
INSURANCE

THE TOTAL AMOUNT OF INSURANCE upon the property described by this policy was, at the time of the loss, \$10,000,000.00, as more particularly specified in the apportionment attached, besides which there was no policy or other contract of insurance, written or oral, valid or invalid.

VALUE

THE ACTUAL CASH VALUE of said property at the time of the loss was
..... \$UNDETERMINED

LOSS

THE WHOLE LOSS AND DAMAGE was \$10,612,993.00

AMOUNT
CLAIMED

THE AMOUNT CLAIMED under the above numbered policy is
..... \$10,000,000.00

STATEMENTS
OF INSURED

The said loss did not originate by any act, design or procurement on the part of your insured, or this affiant; nothing has been done by or with the privity or consent of your insured or this affiant, to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were destroyed or damaged at the time of said loss; no property saved has in any manner been concealed, and no attempt to deceive the said company, as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered a part of this proof.

The furnishing of this blank or the preparation of proofs by a representative of the above insurance company is not a waiver of any of its rights.

State of TEXASTANDY CORPORATIONCounty of TARRANTBY: /s/ Jim Ashworth
Insured

Subscribed and sworn to before me this 28th day of
NOVEMBER, 1990

SEAL

JANET L. JOHN

Notary Public State of TexasMy Commission Expires Mar 2, 1993Notary Public

Form recommended by the
American Insurance Association
[Form number illegible.]

EXHIBIT F

Logo

AI Marine Adjusters, Inc.

675 Bering Drive, Suite 600

Houston, Texas 77057

713/268-8600 Telex #361885

"VIA FACSIMILE"

Direct Dial: 713/268-8662

December 14, 1990

Mr. Jim Ashworth

Assistant Director, Risk Management

Tandy Corporation

P.O. Box 17180

Fort Worth, Texas 76102

Re: Granite State Insurance Company

Policy No.: AIU 24-60684

Insured: Tandy Corporation/T.C.

Electronics — Korea

D/L: On or about 12/22/89

Dear Mr. Ashworth:

This will acknowledge receipt of a copy addressed to me of your letter of November 28, 1990 to Mr. R. C. Danen, American International Companies' Dallas. Your letter attached a Sworn Statement In Proof of Loss against Granite State Insurance Company's policy no. AIU 24-60684 for \$10 million.

Insofar as your letter purports to provide a Sworn Statement in Proof of Loss against Granite State Insurance Company's policy no. AIU 24-60684, please be advised

that we consider the proof of loss wholly inadequate, and of no value whatsoever.

Your attention is invited to paragraphs 48, 49, 50 and 51 of Granite State Insurance Company's policy no. AIU 24-60684. in particular, proper proof of loss and proper proof of interest in the goods or merchandise so involved is required on a timely basis.

Following receipt of the first notice of loss from Tandy Corporation, and after discussions with your agents, I wrote to them on March 20, 1990 describing the detailed information we would require to consider your claim. A substantial effort went into preparing that list of what information would be required, based upon the information available to us then. Yet, to this day, neither Tandy Corporation nor your agents have responded. A copy of my letter of March 20, 1990 is attached for your information.

Under the circumstances, I must repeat that the completely unsupported Sworn Statement In Proof of Loss which you have submitted, addressed to Granite State Insurance Company, is totally unacceptable. Tandy Corporation will be expected to comply with policy terms and conditions.

Sincerely,

/s/ Dianne Furgerson

Ms. Dianne Furgerson

Vice President

A. I. Marine Adjusters, Inc.

as Claims Agents for Granite

State Insurance Company

Enclosure

cc: Mr. Ron Snyder, Sr. Vice President
 Alexander & Alexander of Texas, Inc.
 Mr. Don Martin, Vice President
 Alexander & Alexander of Texas, Inc.

IN THE UNITED STATES DISTRICT COURT
 FOR THE SOUTHERN DISTRICT OF TEXAS
 HOUSTON DIVISION

GRANITE STATE	§	
INSURANCE COMPANY	§	C. A. NO.
	§	H-91-213
Plaintiff,	§	
	§	
VS.	§	RULE 9(H)
	§	ADMIRALTY
TANDY CORPORATION	§	CLAIM
and	§	
T. C. ELECTRONICS	§	
(KOREA) LTD.,	§	
	§	
Defendants	§	

TANDY CORPORATION AND T. C. ELECTRONICS
(KOREA) LTD.'S ANSWER TO COMPLAINT
FOR DECLARATORY JUDGMENT

TO THE HONORABLE UNITED STATES DISTRICT
 JUDGE:

COME NOW Defendants Tandy Corporation and T. C. Electronics (Korea) Ltd.'s (hereinafter collectively referred to as "Defendants"), without waiving their right to assert counterclaims should the Court deny the Motion to Dismiss or in the Alternative, Motion for Abatement of Proceedings being filed contemporaneously herein, and file this their Answer to the Complaint for Declaratory Judgment of Plaintiff Granite State Insurance Company ("GSIC"), respectfully showing the Court as follows:

I

THE ACTION

This is a response to a declaratory judgment action filed by GSIC pursuant to 28 U.S.C. § 2201 *et seq.*

II.

THE PARTIES

The Defendant Tandy admits it is a Delaware corporation with its principal place of business in Fort Worth, Texas. Defendant TCEK was a Tandy subsidiary incorporated under the laws of a Korean corporation with its principal place of business in Masan, Korea prior to its dissolution in 1990. While TCEK and Tandy deny that they are alter egos of each other for the purposes of this lawsuit or for any other purpose, Tandy has acceded to all rights in dispute under the GSIC policy of insurance that is the subject of this suit. Plaintiff GSIC is a New Hampshire corporation. The principal place of business of GSIC cannot be determined at this time.

III.

JURISDICTION

A. Admiralty Jurisdiction Should Not Apply

Defendants deny that this claim comes within the admiralty or maritime jurisdiction of this honorable Court. This case involves a question relating to insurance policy coverage for inventory consisting of raw materials, parts, accessories provided by suppliers of all descriptions, work in progress and finished goods while in the

following countries: Korea, Republic of China, Taiwan, and Hong Kong.

B. Diversity Jurisdiction

Defendants cannot admit or deny that diversity jurisdiction exists at this time. The assertions of GSIC with regard to diversity will be the subject of discovery. Additionally, based on the Complaint of GSIC, it appears that there are necessary parties to this case that have inexplicably not been joined, e.g. Alexander & Alexander of Texas, Inc. ("A&A"), Mutual Marine Office, Inc. ("MMO") and Utica Mutual Insurance Company ("Utica"). Their joinder may prevent diversity.

IV.

APPLICABLE LAW

Defendants deny that the law and customs of England apply. Defendants deny that maritime law of the United States applies. Defendants contend that law of the State of Texas, with regard to the contract, is the applicable law.

V.

STATEMENT OF THE FACTSThe Parties

1. TCEK admits that it was a subsidiary or affiliate of Tandy for the relevant period at issue in this case. TCEK admits that it has purchased insurance. Tandy admits it is a large corporation with considerable assets

and a substantial number of employees. Tandy admits it manufactures custom electronic products and sells them through its Radio Shack network as well as through other outlets. Tandy admits that it has a full time in-house corporate risk manager who is responsible for purchasing insurance for the worldwide requirements of Tandy and its affiliates. Tandy admits that A&A acted as Tandy's outside insurance agent in connection with the GSIC open cargo policy. Defendants admit the allegations set forth in paragraph 2 of GSIC's Complaint for Declaratory Judgment.

The Policy Negotiations

3. Defendants have insufficient knowledge, at this time, to form a belief as to the truth of the allegations set forth in paragraph 3 of GSIC's Complaint for Declaratory Judgment and therefore deny the same.

4. Defendants have insufficient knowledge, at this time, to form a belief as to the truth of the allegations set forth in paragraph 4 of GSIC's Complaint for Declaratory Judgment and therefore deny the same.

5. Defendants have insufficient knowledge, at this time, to form a belief as to the truth of the allegations set forth in paragraph 5 of GSIC's Complaint for Declaratory Judgment though Tandy is in possession of a copy of the April 26, 1989 letter from A&A to American International Marine Agency, Inc.

6. Defendants have insufficient knowledge, at this time, to form a belief as to the truth of the allegations set

forth in paragraph 6 of GSIC's Complaint for Declaratory Judgment and therefore deny the same.

7. Defendants admit the allegations set forth in the first two sentences of paragraph 7 of GSIC's Complaint for Declaratory Judgment. Defendants have insufficient knowledge to form a belief as to the truth of allegations set forth in the last sentence of paragraph 7 of GSIC's Complaint for Declaratory Judgment and therefore deny the same.

8. Defendants have insufficient knowledge to form a belief to the truth of allegations set forth in the first sentence of paragraph 8 of GSIC's Complaint for Declaratory Judgment therefore deny those allegations. Defendants admit the allegations of the last sentence of paragraph 8 of GSIC's Complaint of Declaratory Judgment.

9. Defendants deny the allegations set forth in paragraph 9 of GSIC's Complaint for Declaratory Judgment.

10. Defendants deny the allegations set forth in paragraph 10 of GSIC's Complaint for Declaratory Judgment.

The Policy

11. Defendants deny the allegations set forth in paragraph 11 of GSIC's Complaint for Declaratory Judgment and its conclusions regarding the characterization of policy clauses and legal conclusions attendant thereto.

12. Defendants have insufficient knowledge to form a belief as to the truth of allegations set forth in paragraph 12 of GSIC's Complaint for Declaratory Judgment therefore deny those allegations.

13. Defendants admit the allegations set forth in paragraph 13 of GSIC's Complaint for Declaratory Judgment.

14. Defendants admit that TCEK experienced labor problems at the plant during 1989. Further, Defendants admit that rioters took possession of the plant. Defendants deny all other allegations set forth in paragraph 14 of GSIC's Complaint for Declaratory Judgment.

15. Defendants deny the allegations set forth in paragraph 15 of GSIC's Complaint for Declaratory Judgment.

16. Defendants deny the allegations set forth in paragraph 16 of GSIC's Complaint for Declaratory Judgment, except to the extent Tandy determined to close the Korean facility.

17. Defendants deny the allegations set forth in paragraph 17 of GSIC's Complaint for Declaratory Judgment.

18. Defendants admit the allegations set forth in paragraph 18 of GSIC's Complaint for Declaratory Judgment.

19. Defendants admit the allegations set forth in paragraph 19 of GSIC's Complaint for Declaratory Judgment.

20. Defendants deny the specific allegations set forth in paragraph 20 of GSIC's Complaint for Declaratory Judgment, except to the extent such allegations are a matter of Korean public record.

21. Defendants admit the allegations set forth in paragraph 21 of GSIC's Complaint for Declaratory Judgment.

22. Defendants deny the allegations set forth in paragraph 22 of GSIC's Complaint for Declaratory Judgment.

23. Defendants deny the allegations set forth in paragraph 23 of GSIC's Complaint for Declaratory Judgment.

24. Defendants admit the allegations set forth in the first four sentences of paragraph 24 of GSIC's Complaint for Declaratory Judgment though they cannot at this time admit or deny the dates set forth in such allegations.

25. Defendants deny the allegations set forth in paragraph 25 of GSIC's Complaint for Declaratory Judgment.

26. Defendants deny the allegations set forth in paragraph 26 of GSIC's Complaint for Declaratory Judgment.

27. Defendants admit the allegations set forth in the first sentence of paragraph 27 of GSIC's Complaint for Declaratory Judgment. Defendants deny all other allegations set forth in paragraph 27 of GSIC's Complaint for Declaratory Judgment.

28. Defendants deny all allegations set forth in paragraph 28 of GSIC's Complaint for Declaratory Judgment.

29. Defendants admit the allegations set forth in the first three sentences of paragraph 29 of GSIC's Complaint for Declaratory Judgment. Defendants admit that the AIM adjusters raised several questions regarding non-disclosure of material facts in a letter attached to the GSIC Complaint for Declaratory Judgment as Exhibit "C." Defendants deny that there is any merit to the questions raised in Exhibit "C" attached to GSIC's Complaint for Declaratory Judgment. Defendants therefore deny all other allegations set forth in paragraph 29 of GSIC's Complaint for Declaratory Judgment.

30. Defendants admit the allegations set forth in paragraph 30 of GSIC's Complaint for Declaratory Judgment.

VI.

CAUSE OF ACTION

31. Defendants incorporate and reaffirm their responses to paragraphs 1 through 30 as set forth below.

32. Defendants deny that the terms of the policy require application of English law or general maritime law of the United States.

33. Defendants deny the allegations set forth in paragraph 33 of GSIC's Complaint for Declaratory Judgment and disputes the conclusions of law contained therein.

34. Defendants deny the allegations set forth in paragraph 34 of GSIC's Complaint for Declaratory Judgment.

35. Defendants admit that a justiciable controversy exists between the parties. Defendants deny that the issues presented by GSIC in paragraph 35 of its Complaint for Declaratory Judgment are the correct issues. Rather, Tandy has correctly formed the issues with all parties joined needed for a full adjudication of the dispute in the suit it filed on February 15, 1991 in the 96th Judicial District Court of Tarrant County, Texas.

36. Defendants oppose the relief sought by GSIC in paragraph 36 of its Complaint for Declaratory Judgment.

37. By way of affirmative defense, Defendants would show that GSIC's bad faith handling and investigation of the claim made by Defendants was of such a nature to estop GSIC from obtaining the relief it seeks in its Complaint for Declaratory Judgment.

38. Additionally, pursuant to 28 U.S.C. § 2202, the Defendants are entitled to further relief, including its reasonable and necessary attorneys' fees and costs expended in this cause.

WHEREFORE, PREMISES CONSIDERED, Defendants respectfully request that this Court deny the relief sought by GSIC and abate this case as sought by Defendants. Alternatively, Defendants ask that this Court enter

a Judgment denying the relief sought by GSIC and grant Judgment against GSIC for the benefit of Defendants.

Respectfully submitted,

By: /s/ John D. White/blo
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Attorney in Charge for
Defendants

Mark C. Hill
State Bar No. 09647400

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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing instrument was served on the attorneys of record for all parties to the above cause in accordance with the Federal Rules of Civil Procedure on the 19th day of February, 1991.

/s/ John D. White/blo
John D. White
